EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

No.31,102 © THE FINANCIAL TIMES LIMITED 1990

Monday March 19 1990

D 8523A

CAMBODIA
Battle to find a durable peace
Page 18

World News

Tehran gas blast wrecks buildings, kills 13

A gas explosion killed 18 people, destroyed a four-storey building and started a massive fire in Tehran. The blast injured many others in the city centre, some critically, and the Iranian news agency IRNA said the death toll was expected to rise.
Fifteen houses and shops were wrecked and others were badly damaged. Page 3

Hostage hopes rise
Iran's main troubleshooter in Lebanon, First Deputy Foreign Minister Ali Mohammad Besharati, said all Western hostages there might be released by January. Page 3

Socialist disarray
For the first time in 20 years, a French Socialist Party congress ended without a unanimous policy statement after bickering leaders ignored President François Mitterrand's appeal for unity. Page 20

US may quit Manila
The US will pull its forces out of the Philippines within a year if it cannot get a new agreement to extend use of key military bases, forces commander in the Pacific, Admiral Huntington Hardisty, was quoted as saying. Page 4

Taiwanese protest
More than 10,000 people demonstrated in the Taiwanese capital of Taipei, calling for faster democratic reforms and for the removal from power of ageing leaders of the ruling Kuomintang party. Page 4

Delhi crisis ends
India's minority National Front Government survived its first major internal crisis when Deputy Prime Minister Devi Lal withdrew his two-day-old resignation.

Drivers go back
Italian truck drivers ended a week-long strike that left up to 90 per cent of petrol pumps dry, forced dozens of factories to close and sent prices of fresh fruit and vegetables soaring.

Warning to Contras
The Honduran military is prepared, if necessary, to forcibly disarm US-backed Contra rebels camped along the Nicaraguan border, according to Honduran military chief General Arnulfo Cantarero.

Purifying the media
China's media overlords have closed down nearly 150 newspapers and periodicals in a campaign of economic austerity and ideological purification, the official China News Service reported.

Florida bomb
A powerful bomb thrown into a US Drug Enforcement Administration office in Fort Myers, Florida, destroyed the building and all its records, causing $4m damage. Page 4

Japan fire kills 15
A fire in a five-storey supermarket at Amagasaki in western Japan killed 15 people and injured six. A teenager who jumped from the fifth floor survived.

Havel's dream
A dream came true for Czechoslovak President Vaclav Havel when the first official congress of the Charter 77 human rights movement opened in Prague. When he was in jail, he said, he used to dream it would one day be allowed. New Europe, Page 2; Monday interview, Page 36

Mercy flights delay
Sudanese rebels, bidding for a bigger share of famine relief, have unexpectedly stalled the resumption of mercy flights to both sides in the southern civil war, relief officials said. Page 4

South African toll
Seven more people were killed in South Africa at the weekend as politicians searched for a solution to mounting battles between rival black factions. Baker trip, Page 3

Rembrandts stolen
Thieves dressed in police uniforms tricked security guards and stole 11 paintings, including works by Rembrandt, Degas, Manet and Vermeer, as well as other priceless objects from a Boston museum.

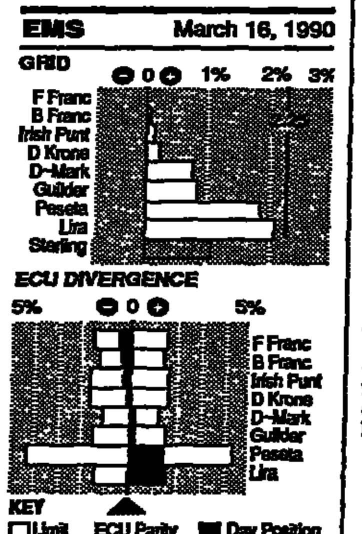
Bastille success
France's controversial Bastille Opera house confounded critics on its opening night on Saturday, taking Paris by storm with a triumphant performance of *The Trojans*. Power of Berlioz, Page 17

Business Summary

Big Spanish steelmakers may contest British bid

Spain's two biggest steelmakers, Ensidesa and Altos Hornos de Vizcaya, are understood to be close to making a counter bid to foil a £250m ($402m) attempt by British Steel to take control of the country's biggest producer of steel sections, the José Maria Aristrain group. Page 8

EUROPEAN Monetary System: The Italian lira remained at the top of the EMS last week, but finished within its divergence limit against the weaker currencies, including the French franc. The Bank of France appeared relaxed about the situation and left its money market intervention rate at 10 per cent when adding liquidity on Friday. The D-Mark was slightly firmer on the week against the dollar, but traded quietly overall, helping to keep pressure off the EMS. Currencies, Page 31



The chart shows the constraints on EMS exchange rates. The upper grid, based on the system's weakest currency, defines the cross-rates from which only the peseta may move by more than 2¼ per cent. The lower chart gives currencies' divergence from the central rate against the ECU.

UK exports to the EC would be given a short and long term boost by full British membership of the EMS, says a survey of manufacturers. Page 7

EC foreign ministers and the Gulf Co-operation Council agreed in Muscat that talks should start soon towards a free trade accord. Page 3

US is still rejecting financial help for the Soviet Union despite President Bush's verbal support for Mr Mikhail Gorbachev's reforms. Page 2

CANADA has "huge pools of investment capital" which could be directed to Mexico, Brian Mulroney, the Prime Minister, said. Page 6

COMPASS Group, UK contract catering, healthcare and building services company, warned Sketchley shareholders that their prospects were bleak if the cleaning group remained independent. Page 22

TATE & LYLE, UK sweeteners group, said Berisford International, which owns British Sugar, had asked it to consider a rescue bid for the troubled sugar and property company before it announced the resignation of Mr Ephraim Margulies as chairman. Page 22

BRITISH Dredging profits rose from £3.08m ($4.98) to £4m pre-tax last year on turnover of £33.66m. Page 22

SCANDINAVIAN Bank Group, consortium bank which ranks as the fifteenth largest UK bank by asset size, announced pre-tax losses of £3.22m ($5.2m). Page 25

US economic outlook appears to be as finely balanced as ever, offering little hope of a defined trend in the Treasury bond market on domestic fundamentals. Page 24

EUROCLEAR, international bond market's largest clearing house, is in danger of finding itself isolated in a row involving its rival Cedel and the Association of International Bond Dealers. Page 23

NATIONAL Westminster Bank of the UK paid £505,000 ($800,000) to three executive directors who resigned after being criticised over their involvement in the Blue Arrow rights issue. Page 11

ROBOTRON, East German electronics group which has been developing partnerships with West German companies, is to assemble Taiwanese computers. Page 2

VOLKSWAGEN, West German motor group, has held "exploratory" talks with Skoda of Czechoslovakia. Page 2

First free elections produce big swing to the right ● Kohl secures personal triumph

East Germans vote for unity

By David Marsh, David Goodhart and Leslie Colitt in East Berlin

EAST GERMANY voted forcefully yesterday for speedy unity of the two German states as the country's first democratic election delivered a surprising victory for the conservative Christian Democrats.

According to provisional results last night, with 75 per cent of ballot returns counted, the CDU and their partners within the three-party conservative election grouping gained around 48 per cent of the votes, *falling just short of an absolute majority.*

Because of the need to form a broadly-based coalition, the conservatives are likely to form a Grand Coalition with the Social Democrats, who registered a worse than expected 22 per cent. The result, comprehensively ending four decades of Communist rule, amounts to a personal triumph for Mr Helmut Kohl, the West German Chancellor, who swung the full weight of his own Christian Democratic party behind a powerful pro-unity polling campaign. Mr Kohl thanked the people of East Germany, "our friends" in the Western alliance and President Mikhail Gorbachev for making the elections possible.

He said East Germans had decided against "every form of extremism" and had decisively rejected the Communist Party. He issued an urgent appeal to East Germans to remain at home and build up "this beautiful land."

Mr Volker Ruehe, general secretary of the Bonn Christian Democrats and Mr Kohl, confirmed last night that the result would speed up reunification which would be "orderly but fast."

"The decision in principle will come quite soon," he said, although he added that the process itself would take several years.

The right's gains upset opinion poll predictions of a win for the Social Democrats. Just 4½ months after the breaching of the Berlin Wall, the East German electorate decided that a vote for the right was the best method of bringing western capital and a market economy into their country. The fresh momentum towards an all-German state may complicate international efforts to find ways of reconciling unity with the two Germanys' respective membership of Nato and the Warsaw Pact.

The East German Christian Democrats scored 41 per cent, with the other two conservative parties in the CDU-led Alliance for Germany registering 7 per cent, giving the right a clear lead in the 400-seat Volkskammer (parliament). The former Communist party, campaigning under its new name of the Democratic Socialist Party, gained 16 per cent.

In the sprawling Stalinist Palace of the Republic in East Berlin last night, decked out as a huge Western-style television election studio, politicians and commentators reacted with a mixture of shock and jubilation. Mr Ibrahim Böhme, the boyish East German SPD leader, visibly shaken by the setback, said that voters had decided for quick but uncontrolled unity.

Mr Lothar de Maizière, the 50-year-old East German Christian Democrat leader, said "I never expected it (the victory) would be as big as this." He will now, as the likely Prime Minister, enter quickly into detailed unity negotiations with Mr Kohl's Centre-Right Government in Bonn.

Mobbed by gleeful supporters at his party headquarters, Mr de Maizière said he would form a coalition with his two conservative partners, but left open whether the Liberal Party would join too.

A key element of the CDU's unity talks will be replacement of the inconvertible Eastmark by the D-Mark on the basis of a one-to-one rate, as promised by Mr Kohl during the campaign.

Fragmentation of the vote among the 24 parties and groupings participating yesterday will lead to a wide variety of parties in the Volkskammer. Last night, however, Mr de Maizière stated that a coalition would be formed quickly. "We cannot take weeks to form a government," he said.

After a campaign dominated by the West German political parties, voters have emphasised the country's mood of striving to make a new start.

German vote for unity, Page 2; Observer, Page 18

MAIN PARTIES

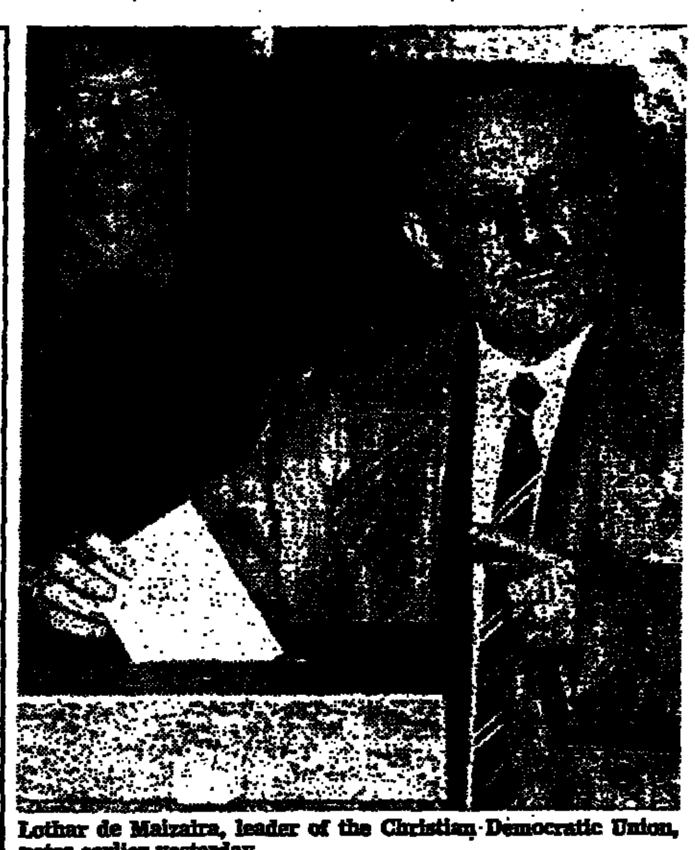
■ **Social Democratic Party**
Leader: Ibrahim Böhme
Policies: federal united Germany; monetary union; phased market economy

■ **Alliance for Germany:**
Policies: speedy reunification; immediate introduction of D-Mark.
Groups together: Christian Democratic Union, leader: Lothar de Maizière; Democratic Awakening, leader: Rainer Eppelmann; German Social Union, leader: Hans-Wilhelm Ebeling

■ **Democratic Socialist Party**, former Communist Party. **Leader:** Gregor Gysi; **Policies:** gradual unity; public control of key aspects of economy

■ **Free Democratic Federation**
Policies: gradual unity; liberal economic policies

■ **Alliance 90:** links three left-wing groups.
Policies: gradual unity; opposes full-fledged market economy



Lothar de Maizière, leader of the Christian Democratic Union, votes earlier yesterday

London SE votes on equity overhaul

By Richard Waters in London

THE LONDON Stock Exchange Council meets today to vote on an overhaul of its domestic equity market, following unsuccessful attempts from some quarters to dilute the proposals before they reached the market's governing body.

The overhaul, proposed by a committee under the chairmanship of Mr Nigel Elwes, finance director of Warburg Securities, has been in preparation for 18 months and marks the first revamp of the market since Big Bang in 1986.

The review was prompted by concern that the Big Bang reforms had tilted the balance of advantage in the market too far from the large securities firms.

They were concerned in particular that they were exposed to predatory tactics by competitors by the obligation to deal with others in the market at prices quoted on Seaq, the exchange's electronic marketplace, and to publish details of all trades immediately.

The Elwes proposals have been the subject of attack on a number of fronts from some stockbrokers but are understood to have reached the council today undiluted despite attempts to amend them.

Most radical of the proposals are plans for making the stock market more attractive for small shareholders. The report recommends that a "green strip" be introduced on Seaq, on which would appear the best quotes available for small deals.

In this second-tier market, orders entered for automatic execution would go to the market maker whose quote appeared on the green strip.

This issue has caused consternation at some securities firms. They say they should be allowed to match the best price available in the market, even if they are not officially quoting it themselves, to retain their customers' business.

A second important development for retail share dealing recommended by the Elwes committee would be the creation of an order-driven electronic market in parallel to Seaq, particularly for stocks in which there is little trading activity.

However, some market makers fear that the parallel order-driven system, to be known as Close (Central limit order service), would make it difficult for them to make continuous prices.

At home in suburbia with the vanquished

By Our Own Correspondents in East Berlin

AS East Germany voted in the sunshine yesterday in its first democratic election, Mr Egon Krenz, *the Communist leader* deposed in December, sat at home and admitted: "We have made many mistakes."

Mr Krenz, who took over briefly in October from Mr Erich Honecker, was speaking *shortly after voting for the* Democratic Socialist Party (PDS), the renamed former Communist Party, whose 40-year rule in East Germany has now come to an end.

As part of the settling of scores with the old regime, the Communists expelled Mr Krenz *from their ranks at the* end of last year. In spite of this, Mr Krenz, wearing jeans, *a checked shirt and carpet* slippers, yesterday proclaimed *his loyalty to socialism.*

Mr Honecker has been declared homeless and is living in two cramped rooms with a Protestant pastor. Mr Krenz – who ordered the opening of the Berlin Wall on *November 9 – has* managed to survive in some style.

On the floor of his home in the East Berlin suburb of Pankow was a leopard-skin rug. Outside on the veranda, red deckchairs beckoned. Sitting on his living room sofa, surrounded by pot plants, he said: *"I voted for the party in* which I have trust, even though some people do not trust me."

Mr Krenz, Mr Honecker's *long-time crown prince,* was Politburo member responsible for security in the latter years of the regime. Yesterday, he was defensive about the past. "Forty years were not only years of losing. We also won things," *he said, pointing* resolutely to East Germany's anti-Nazi traditions.

However, he admitted glumly: "I am one of the guilty ones. We didn't do the things in time which were necessary," referring to the Honecker regime's refusal to *adopt perestroika and glasnost.* He refused to answer a question about his role in the rigging of East Germany's municipal elections last May *– an event which helped to* trigger last autumn's protests which led to the downfall of the Communist Party.

Mr Krenz's admission of failings was typical for a country going through a not always convincing *exercise of self-re*crimination over the past.

He did disclose that he has written a book on his experiences, being brought out next week by an Austrian publisher. The title is "When Walls Fall." He claimed that this referred not only to the Berlin Wall *but also to* "the walls between the people and the leadership, and between truth and falsehood."

Up the road from Mr Krenz, *at the polling booth in the Julius Fucik high school,* citizens confidently mastered the logistics of the *democratic* vote. The confidence was not so surprising; reception of West German television had made them *vicarious election* participants for decades.

Some were old enough to remember how it was in the old days, before both Hitler and the Communists. Lucy Kuhnast, aged 81, said: "I voted Social Democrat in 1928, again in 1946, and today I voted *for them again. I hope* it's not the last time."

Soviet Communists in disarray over demands for independence

By Quentin Peel in Moscow

THE SOVIET Communist Party has emerged from a crucial meeting of its ruling Central Committee deeply divided, unable to agree on a new set of rules and in severe *danger* of splitting even before the full-scale party congress summoned for early July.

The disarray became apparent at the weekend as a further split in the Soviet leadership *about how to deal* with the independence ambitions of the Baltic republic of Lithuania surfaced.

Just as President Mikhail Gorbachev insisted that he had not issued any ultimatum to the new leaders of Lithuania, and came out with some conciliatory remarks, *surprise* military manoeuvres were taking place around Vilnius, the republic's capital, to coincide with a demonstration by anti-independence campaigners.

At the same time, elections *were taking place in five Soviet* republics yesterday, in all of which Communist Party officials were expected to suffer serious reverses at the hands of reformers.

In Moscow and Leningrad, broad alliances of pro-democracy *reformers, including* Communists and non-Communists, are expected to gain a majority, and possibly also in the parliament of the whole Russian federation. Genuinely multi-party elections were also *being held in the Baltic* republics of Estonia and Latvia, where the main test will be to see how strongly the pro-independence parties emerge.

The twin threats to Communist Party rule from reforming democrats and nationalists were clearly too much for conservatives in the apparatus at last week's Central Committee meeting, and they refused to listen to leaders of the so-called Democratic Platform arguing the case for radical changes in their party rules.

Members of the dissident group were locked in a meeting all weekend to decide how to respond to the decision, but supporters believe it may force them into breaking away even before the party congress.

The rebel group, which *claims the backing of* at least 10 per cent of Communist Party members, are angry about the failure of the central committee to enforce grassroots elections for congress delegates, and to allow any *chance for party factions* to organise themselves formally.

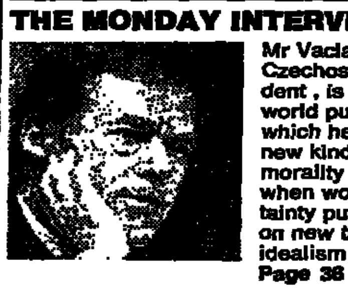
With fears expressed from both right and left that the Party may disintegrate in the same way as its east European satellites have done, conservatives led by Mr Yegor Ligachev, Mr Gorbachev's erstwhile number two, *demanded* a full-scale purge of the ranks.

Their anger is aimed at exactly those Communists in the Democratic Platform whom they accuse of being social democrats and who have polled

Continued on Page 20
Bush rejects lending to the Soviet Union, Page 2

CONTENTS

THE MONDAY INTERVIEW



Mr Vaclav Havel, the Czechoslovak President, is using fully a world pulpit from *which he can preach* a new kind of political morality at a time when world uncertainty puts a premium *on new thinking and* idealism
Page 36

Caribbean: 1992 – threat or opportunity for the banana industry? 8
Management: Teaching potential capitalists *as eastern Europe opens up* 12
Editorial comment: Two Major temptations; *New rules for state industry* 18
GEC Alsthom: Anglo-French venture tries to *weld two cultures into a world force* 19
Lombard: Time to cheer up about prospects *for the Mark* 19
Lex: Tough times for the lucky country 20
Economics Notebook: Bank vs State in Italy — lively debate with a bite 21

Overseas	2-6	Currencies	31	Lex	20	-Wall Street	27
Companies	23-25	Editorial Comment	18	Lombard	19	-London	32-33
Britain	7-10	International bonds	23	Management	12	UK Gilts	24
Companies	22	Financial Diary	14	Monday Page	36	US Bonds	24
Arts-Reviews	17	Intl.Capital Markets	23-25	Money Markets	27	Unit Trusts	34-35
World Guide	17	Letters	19	Observer	18	Weather	20
Crossword	31			Stock Markets	27		

How ambitious are you?

At Hill Samuel Development Capital we invest in a wide range of ambitious companies. Recent deals tell the story.

MANAGEMENT BUY-IN
Widney PLC manufactures and supplies products for the defence, electronics and transport industries.
Hill Samuel Development Capital invested *£700,000 as part of a management buy-in* to this fully listed company.

MANAGEMENT BUY-OUT
Addison is a worldwide design consultancy which specialises in Corporate Reports.
Hill Samuel Development Capital invested *£950,000* in equity and provided *£1.25m* of debt as part of a consortium backing the *£5m* management buy-out.

DEVELOPMENT CAPITAL
Lifestyle Care owns and operates nursing and residential homes.
Hill Samuel Development Capital invested *£1m* of development capital to expand and diversify the group.

To help you take off.

If you are ambitious to develop your business then telephone Garry Watson at Hill Samuel Development Capital, 100 Wood Street, London EC2P 2AJ. Telephone 01-628 8011.

HILL SAMUEL DEVELOPMENT CAPITAL
FINANCE FOR AMBITION
Hill Samuel Development Capital is a division of Hill Samuel Bank Limited which is a Member of The Securities Association.

OVERSEAS NEWS

German vote for unity may slow 1992 process

By Our Foreign Staff

EAST GERMANY'S vote for rapid unification yesterday has revived fears that the European Community's project to create a single internal market by 1993 may have to be postponed.

Germany's preoccupation with unification may delay the plan, Helmut Schmidt, former West German chancellor warned on Sunday. "The West German government is concentrating too much on the unification issue between the two Germanies," he said in an interview on NBC television's Meet the Press.

German economic unification might go ahead quickly, but other complex matters for the establishment of a single nation may take up to four or five years to complete, he added.

Plans that are under way for the creation of a single German currency might add to the difficulties already faced by the EC in establishing one European central bank and currency, he added.

"It must not happen; it's not necessary that it happens. But it can happen that the speed of European unification is a little hampered," Schmidt said.

Separately, Mr Jacques Calvet, president of Peugeot, urged the European Community to halt the process of opening its internal market.

In the first such declaration by a leading European industrialist, Mr Calvet told the Italian newspaper, La Repubblica, that the changes in eastern Europe had made the future so uncertain that it was better to halt the political and economic integration exercise.

"It would be wild madness to continue calmly writing pieces of paper and making directives. Directives to do what? What is the common future? I don't know." Mr Calvet added that he had never believed in the opening of the internal market "and my conviction has been strengthened by the slowness with which they have gone along this path".

The process of reform in Eastern Europe creates a series of uncertainties, including the forms of membership which new governments may seek, and the degree of commitment which Germany will maintain towards the project.

Schmidt: warning of delay

On Friday East Germany asked the European Community for talks leading to eventual membership of the group. The East Berlin foreign ministry said it had accepted the Community's offer of closer ties with possible full membership later.

In a statement handed to External Affairs Commissioner Frans Andriessen by East Berlin's ambassador to the EC, it said it wanted preliminary talks to start soon because of "the emerging possibility of an economic and monetary union of both German states".

But it made no mention of the likelihood that it will merge with West Germany, economic mainspring of the Community, whatever the outcome of its first free elections yesterday. The statement followed the initialling on Tuesday of a 10-year trade and economic co-operation pact between the EC and East Germany, their first such accord.

Mr Helmut Kohl, West German Chancellor, will brief the European Community executive Commission on Friday on plans for a united Germany, and he will seek to allay European fears. The visit to Brussels for talks with Jacques Delors, EC President and other senior officials was one of a series of contacts to keep West Germany's partners informed.

Haussmann urges early currency union

By David Goodhart in East Berlin

MR HELMUT Haussmann, the West German Economics Minister, spoke out on the eve of yesterday's East German election for a full currency union before the summer break this year.

In the clearest statement yet about the timing of such a union Mr Haussmann told the East Berlin newspaper, Berliner Zeitung, that: "Marriage should come before the summer break."

Such a time scale is also supported by the two dominant parties in East Germany, the Christian Democrats and Social Democrats.

The Social Democrats have *even stated in their most* recent programme that the currency union should come no later than July 1.

Both Mr Haussmann and Mr Helmut Kohl, West German Chancellor, have publicly stated their support for a one DM to one Eastmark conversion rate at least for East German private savings.

Details have yet to be finalised on how the conversion will work, but it seems that converted savings will only have to be releasable in stages in order to dampen potential inflation.

The idea is also being floated that one to one conversion will only be accepted for savings as they stood on November 9 last year to ensure that speculators do not profit.

As a result of the new consensus that at least a partial one to one conversion is coming, the unofficial exchange rate between DM and Eastmark has fallen from over 1:10 a few weeks ago to about 1:5.

● Finance Minister Theo Waigel has reiterated that West Germany will not consider any World War Two reparation payments.

"Everyone should know that West Germany will not accept any demand for reparations," Mr Waigel told the weekly magazine, Bunte.

Mr Waigel said West Germany had already spent DM136bn (£50bn) at current exchange rates) to compensate refugees.

Bush rejects lending to the Soviet Union

By Peter Riddell, US Editor in Washington

PRESIDENT GEORGE BUSH has specifically rejected "lending or giving money to the Soviet Union now", in spite of his support for the economic reform programme of President Mikhail Gorbachev.

The limits on US assistance for the Soviet Union have become clearer this week as the Bush Administration has taken a tough line in the talks with European countries over the French proposal for a European Bank for Reconstruction and Development.

During a weekend interview, Mr Bush said direct financial aid for the Soviet Union was not in America's interest, nor was it needed "to encourage reform, perestroika and glasnost in the Soviet Union."

He said the Soviet Union should only borrow money up to their paid-in capital from the bank which was set up "to help the smaller countries in Eastern Europe who are going down democracy's road.

The Soviet Union has a long way to go before sound loans can be made there. Their first steps ought to be reform, and our first steps ought to be trying to help them with these reforms and these institutions."

Mr Nicholas Brady, Treasury Secretary, has said the US does *not want to be part of the bank* "if a major part of the funds are diverted to Soviet lending". The sticking-point for participation is limiting the Soviet Union to borrowing powers no greater than its own paid-in capital. European countries and the Soviet Union have pressed for a less restrictive attitude, though the US has hinted at a possible voluntary limit on the Soviet Union's borrowing powers for, say, five years.

But, as Mr Brady has accepted, the bank will go forward whether or not the US is part of it. The US is willing to take a 10.5 per cent share, against 8.5 per cent for other leading Western countries, but this would still be the first multilateral lending institution which Washington cannot in *practice* control through a veto power.

Consequently, US officials are seeking to inject clear guidelines from the start into the bank's articles of agreement or charter, including also a provision that 60 per cent of loans have to go to private-sector organisations or to state-owned enterprises being privatised.

US views on lending partly reflect a desire for the bank's funds not to be pre-empted by the Soviet Union at the expense of East European countries in urgent need of restructuring. Moreover, generous borrowing powers for the Soviet Union would be unacceptable to Congress, which has to approve US participation, in view of continued heavy Soviet defence spending and large-scale Moscow assistance for Cuba and other Third World countries hostile to Washington.

Limited suggestions for direct US aid to the Soviet Union made 10 days ago by Congressman Richard Gephardt, the Democratic House Majority leader, were criticised not only by Republicans but also by many Democrats, including Senator Bill Bradley, a possible presidential candidate, who said such aid would be "like putting money down a rat-hole".

There is a strong feeling in Washington, both in Congress and the Administration, that providing assistance which would shore up the existing economic structure would be money wasted and that the US should wait for moves towards a free-market system.

At present, therefore, the main US emphasis is on discussions about opening up trade links with the Soviet Union. A bilateral trade agreement is currently being negotiated ahead of the Bush/Gorbachev summit in the US in three months' time.

Protests over Romanian group

By Judy Dempsey recently in Cluj, Romania

THOUSANDS of Hungarians and Romanians yesterday joined forces to protest against the rise of a far right-wing nationalist movement which is attempting to sow divisions among the already strained relations between the two communities in Transylvania.

The demonstration against Vatra Romaneasca, which Hungarian and Romanian intellectuals describe as a fascist movement, took place in the city of Cluj, one of the main intellectual and cultural centres of Transylvania.

Vatra Romaneasca, which was founded in January, has repeatedly accused the 2m strong ethnic Hungarian minority of attempting to control Transylvania and separate it from Romania even though 7m Romanians also live in the region.

Similar language was used by the Ceausescu regime, which systematically reduced Hungarian language schools, newspapers, books and cultural centres in an attempt to assimilate Europe's largest ethnic minority.

Hungarians and Romanians say that support for Vatra Romaneasca is spreading and is now organised in many of the main town and cities of Transylvania.

They also add that it is composed of former Communist Party members as well as Securitate secret police officials who are intent on exploiting the often latent suspicion between the two communities, which, along with the German minority, have lived together for centuries in Transylvania.

Yet despite the growing support for Vatra Romanesaca, its programme remains incoherent but deeply xenophobic.

Its spokesmen say it is not a political party but a cultural movement even though sections of the National Peasants Party in Cluj support it.

Its four-page nationalist-charged newspaper is distributed once a week in Adevarul in Libertate, the main Romanian daily in Cluj.

Mr Octavion Capatina, a member of the Vatra Romaneasca council in Cluj said the Hungarians want to "regain all the privileges which they had after the Second World War."

He also accused the Romanian government of being "too democratic, too European, not Romanian, just like the internationalists between 1921 and 1964."

This is a reference to the predominance of Jews in the Romanian Communist Party before and after the Second World War.

VW and Skoda begin talks on co-operation

By Andrew Fisher in Frankfurt

VOLKSWAGEN, the West German motor group, has held "exploratory" talks with Skoda of Czechoslovakia as part of its efforts to move deeper into the markets of eastern Europe.

Mr Carl Hahn, VW's chief executive, accompanied Mr Richard von Weizsäcker, the West German President, on a visit to Prague, the Czech capital, last week.

However, VW said the talks with Skoda had not covered definite projects and described as speculation German press reports that it was ready to enter into a financial and production partnership with the Czech motor group.

BMW, the German luxury car producer, also said last week that it had held discussions with Skoda as part of its policy of keeping in touch with developments in eastern Europe.

VW has already entered into a far-reaching agreement on future investment and production with East Germany's state-owned IFA car concern. This could involve investment of some DM5bn (£1.8bn) in the next few years.

Mr Hahn was quoted by the daily Süddeutsche Zeitung as saying in Prague that forms of economic co-operation between Germany and Czechoslovakia must be found which "inspire people".

The newspaper said VW was ready to provide modern technology for Skoda's latest model, the Favorit. It also reported Mr Hahn as saying rapid success could be achieved in the first stage with little investment.

Havel expounds a new Europe

By John Lloyd

PRESIDENT Vaclav Havel of Czechoslovakia will this week press his vision of a new European order on the two Western leaders most sceptical of it – President Mitterrand of France, where his two-day visit begins today, and Mrs Margaret Thatcher, UK Prime Minister, whom he will meet on Wednesday.

He has given the strongest hint yet that he will stand again as President in June, when Parliamentary elections are held and when his self-imposed temporary presidency expires.

In an interview with the Financial Times in Prague last week, President Havel said the West European states must welcome the "formerly Communist" countries back among them "as the returning ones: the European Community will have to transform itself into a European, not just a West European organisation".

But during that process, "we should not try to overtake each other: we have to co-ordinate our progress; possibly, we will find some intermediate steps and institutional arrangements".

He believes Nato and the Warsaw Pact must and will dissolve, so that a peaceful, multi-polar Europe can emerge, with each state independently guaranteeing its own security.

This new Europe would "no longer spawn wars, but will be a shining example of peace".

His view that European security no longer needs superpower guarantors rests on his assumption that the Soviet Union is now firmly embarked on a road to democracy, and will not revert to a state which again threatens world peace.

"I think the changes there are irreversible, that they do not depend on one person (Gorbachev). Even if he fails, and is replaced by someone better or worse, the changes are not reversible".

A number of conditions would have to be met if he (Havel) would himself stay president - including that "it was essential for the country that I should stay". The consensus view in Czechoslovakia is that he is at present irreplaceable.

Monday Interview - Page 34

Robotron to assemble Taiwanese computers

By Andrew Fisher

Robotron, the East German electronics group which has been energetically developing partnerships with West German companies, has made a geographical leap with its latest agreement, a deal to assemble Taiwanese computers.

It has signed a letter of intent with Aquarius Systems, a Taiwan-based maker of personal computers, to produce PCs in its Sömmerda plant near Erfurt from delivered components.

In the second stage of the deal, East German-made parts such as printers and monitors will be integrated into the products.

Aquarius said that in the third phase of the project, the Sömmerda plant would manufacture complete PCs itself. The two companies will form a joint development and manufacturing company.

Mr Paul Liu, president of Aquarius, said Robotron's capacity would enable several hundred thousand computers a year to be manufactured. Aquarius would transfer manufacturing knowhow to Robotron and also take advantage of the East German company's marketing network in eastern Europe to develop sales there.

Robotron, which employs 65,000 people and has 15 plants, makes computers itself, mostly for sale to the Soviet Union.

Last year, it produced 62,000 PCs, as well as 510,000 typewriters, and 150,000 printers. The recent ventures it has signed with West German companies include compact disc manufacture (with Pilz) and software (Siemens).

■ Hoechst, the big West German chemical group AG said it is holding talks over a possible far-reaching business cooperation with VEB Kombinat Lacke und Farben, East Germany's paints and coatings monopoly, AP-DJ reports from Frankfurt.

UK meeting to boost Budapest leader in poll

THE MAN most likely to be Hungary's next leader, Mr Jozsef Antall, of the Hungarian Democratic Forum, today meets Mrs Margaret Thatcher, the British Prime Minister, less than a week before the free elections, writes Nicholas Denton in Budapest.

The Forum has based its electoral campaign on the encounters with western politicians, which capitalise on the impression that Mr Antall is the only party *leader in the Hungarian opposition* with a statesmanlike bearing.

By its invitation, the British Government is investing in the likelihood that Mr Antall will head Hungary's new democratically elected government.

Although opinion polls show that Mr Antall's party is running neck-and-neck with its main rival, the radical Alliance of Free Democrats, he can hope for support from the Smallholders' Party, which will hold the balance of power in the new Parliament on present showing. Mr Antall's father was one of the founders of the Smallholders, and he himself worked for the party during its brief revival in the 1956 Hungarian uprising.

FINANCIAL TIMES
Published by the Financial Times (Europe) Ltd., Frankfurt Branch, (Guiollettstrasse 54, 6000 Frankfurt-am-Main 1: Telephone 069-75980; Fax 069-722677; Telex 416193 represented by E. Hugo, Frankfurt/Main, and, as members of the Board of Directors, R.A.F. McClean, G.T.S. Damer, A.C. Miller, D.E.P. Palmer, London. Printer: Frankfurter Societaets-Druckerei-GmbH, Frankfurt/Main. Responsible editor: Sir Geoffrey Owen, Financial Times, Number One Southwark Bridge, London SE1 9HL.
© The Financial Times Ltd, 1990.
FINANCIAL TIMES, USPS No 190640, published daily except Sundays and holidays. US subscription rates $365.00 per annum. Second-class postage and at New York NY and at additional mailing offices. POSTMASTER send address change to: FINANCIAL TIMES, 14 East 60th Street, New York, NY 10022.
Financial Times (Scandinavia), Ostergade 44, DK-1100 Copenhagen-K, Denmark. Telephone (33) 13 44 41. Fax (33) 935335.

LADIES AND GENTLEMEN ··· THE SF 2010.

"WHAT IS THE SF-2010?"
It's Samsung's newest personal facsimile.
"IT HAS ADF?"
Yes, automatic document feeding is a standard feature of this model.
"MANAGEMENT REPORTING?"
Of course. Messages of confirmation, transmission, reception, and call-back are just some of the messages that can be programmed.

"WHAT ABOUT COPY-QUALITY?"
A 16-level gray scale provides a whole range of black and white tones for almost photo-quality copy.
"AND THE PRICE?"
Verrrry competitive.
"ANY OTHER MODELS COMING OUT?"
They're just around the corner.

SAMSUNG Electronics

Name/Position
Company
Address
Tel. No.

Greetings

To The Delegates of Union of Arab Banks Conference, Frankfurt, March 19-21, 1990

BANK OF CREDIT AND COMMERCE INTERNATIONAL

OVERSEAS NEWS

Baker to 'encourage' South African negotiations

By Peter Riddell, US Editor in Washington

MR JAMES BAKER, US Secretary of State, will this week seek to encourage President F.W. de Klerk of South Africa and Mr Nelson Mandela, African National Congress leader, to negotiate flexibly when they meet in mid-April.

A State Department official said Mr Baker would seek to support Mr Mandela, "congratulating him on his moderate multi-racial view of whites' role in the future South Africa", and encourage him to negotiate "on a sincere give-and-take basis".

But he will stress US disagreement with the ANC over violence. "We believe that the ANC is prepared to renounce violence as part of the prenegotiations process." He will also say that the US believes that now is not the time to think of more sanctions.

Mr Baker will urge Mr Mandela to drop his ideas of nationalising South African industries. The official said: "We do not agree with his economic model for South Africa."

"There has been plenty of time since he devised his model to experience it in other countries, such as Eastern Europe, and we would urge him to look at those countries."

The US will congratulate Mr de Klerk for taking steps "to accept a negotiated settlement", to discuss his plans for "further normalising political life, and to "encourage" him to engage in meaningful talks.

Mr Baker will meet Mr de Klerk and opposition leaders in Cape Town on Thursday, the first visit to South Africa by a US Secretary of State for 12 years. Mr Douglas Hurd, UK Foreign Secretary, is there this week.

Mr Baker will meet Mr Mandela in Windhoek, where he will be for Wednesday's Namibian independence celebrations.

There may be some discussion of German unification after yesterday's East German elections since all four foreign ministers of the wartime allies, as well as Mr Hans-Dietrich Genscher, the West German foreign minister, will be attending. His main discussions, with Mr Eduard Shevardnadze, Soviet Foreign Minister, will be in the US two weeks hence. He also wants to re-start Angolan peace talks, meeting President Jose Eduardo Dos Santos in Windhoek and Mr Jonas Savimbi, Unita leader, in Zaire on Friday.

Noting that the Angolan peace process has been languishing, the US official said Mr Baker wanted to see what can be done to promote a ceasefire and the beginning of negotiations.

While continuing assistance to Unita, the official said the US was not asking for the overthrow of the present Angolan government, or that Mr Savimbi be made president.

"All we're asking is for the government of Angola to reconcile with a major dissident organisation which represents a significant number of Angolan people, get together with them, negotiate a new political order, and we will be very happy to bow out."

Mike Hall adds from Lusaka: An Organisation of African Unity sub-committee, meeting the ANC today, is expected to review the ANC's position in pre-negotiation talks with Pretoria set for April 11. The meeting was preceded by talks in Lusaka yesterday between ANC and southern African "front-line" leaders.

A senior ANC official said that while the movement was confident of political support from the OAU, it wanted to review its position on the coming talks and future negotiations, and sought funds to rebuild the organisation in South Africa.

Meanwhile, Chief Mangosuthu Buthelezi, head of South Africa's Inkatha movement, returned to South Africa yesterday after a two-day visit to Zambia. He was due to meet Mr Mandela to discuss the mounting violence between ANC and Inkatha supporters in Natal province.

●Seven more people were killed in South Africa at the weekend as politicians groped for a solution to mounting battles between rival black factions, Reuter reports from Johannesburg.

In a report on Saturday's politically-related unrest, police said most of the victims died in Natal province, where supporters of the leftist African National Congress are struggling for control of townships against backers of the Zulu-based Inkatha movement.

A surge of fighting has erupted in many black areas since Pretoria eased emergency laws in February and legalised the ANC as a prelude to talks on power-sharing between blacks and whites.

ANC deputy president Mr Nelson Mandela, who last month urged his Natal supporters to throw their weapons into the sea, said on Saturday he would tackle the mounting violence soon.

Mafia fight undermined by efforts to remove key sleuth

By John Wyles in Rome

THE FIGHT against the Mafia by Mr Domenico Sica, the Italian magistracy's chief co-ordinator, is set to fall victim to the nation's resolute tendency to shackle or dispose of those who bring any determination to the task.

The shambling, bearded investigator who made his name in hunting down terrorists, has been steadily losing political backing since the start of the year while the magistracy's ruling body, the Consiglio Superiore della Magistratura (CSM), has been making every effort to undermine his effectiveness.

The process is culminating in an attempt by Mr Sica's peers to prosecute him for exceeding his powers. Among other things the charges focus on his allegedely using improper means to obtain a fingerprint from a fellow magistrate suspected of writing damaging anonymous letters.

Last month, the CSM took away three magistrates seconded more than a year ago to strengthen Mr Sica's team. One of them later alleged that their removal was directly related to more than 502 telephone taps that the anti-Mafia Commissioner has imposed with official authorisation. He suggested that Mr Sica was being made to pay for investigating the links between the Mafia and the politicians.

The CSM has become a highly political body extremely responsive to pressures from the parties. Mr Giulio Andreotti, the Italian Prime Minister, said at the weekend that the fight against the Mafia must continue.

● Mr Guido Carli, Italy's Treasury Minister, has warned parliament that VAT charges will have to rise this spring so as to bring the 1990 budget deficit back in line with the L133,000bn ($105.3bn) target set late last year.

Latest government estimates say that the deficit could reach L147,350bn without further remedial action. In a report to parliament Mr Carli says the government will have to raise tariffs and sell property.

NEWS IN BRIEF

Tehran gas blast leaves 13 dead and many hurt

A gas explosion killed 13 people, destroyed a four-storey building and started a massive fire in the Iranian capital yesterday, Reuter reports from Tehran.

The blast also injured many people in the middle class area of central Tehran, some critically, and the Iranian news agency IRNA said the death toll was expected to rise.

Rescue workers toiled to shift debris around a massive crater as a crane lifted heavy pieces of masonry.

IRNA said: "Firefighters and relief workers are clearing the debris and in view of the rush hour the casualty toll is expected to go up. The blast has left a large crater at the site."

It said the explosion, at 11.30am local time, was caused by a gas leak in an underground gas distribution chamber. It destroyed several cars and gutted at least 15 houses and shops.

Janata Dal crisis blows over

The crisis in the Janata Dal, the main constituent of India's National Front government has blown over, K.K. Sharma reports from New Delhi.

The problem was caused by the sudden resignation from the cabinet of Mr Devi Lal, Deputy Prime Minister and Agriculture Minister. On Friday Mr Devi Lal was persuaded to remain in the government after Mr V.P. Singh, India's Prime Minister, wrote to him acknowledging his key position in the Janata Dal and the government.

These issues that led to the resignation, including the demand by many senior Janata Dal leaders for the resignation of Mr Devi Lal's son as the chief minister of the northwestern state of Haryana – remain unresolved. They will now be discussed by senior leaders of the party at meetings of various committees.

Iran in fresh hint on hostages

Iran's main troubleshooter in Lebanon said in remarks published yesterday that all Western hostages there might be released by January.

Mr. Ali Mohammad Besharati, first deputy foreign minister, was quoted in the Tehran Times as saying that "the chances of the freedom of the hostage are brighter than at any time before." His remarks were the latest in a series of optimistic Iranian statements.

Kuwait may hold poll this year

Kuwaiti officials said yesterday that elections bringing the return of parliament after a 3½-year suspension could be held this year, Reuter reports.

For the first time since a coalition of 32 former deputies staged a series of rallies in December and January demanding that parliament be reconvened, officials are putting a timeframe to possible elections.

South Korea boosts overseas investment

South Korea approved 73 investment projects abroad worth $251.3m in the first two months of this year, rising sharply from 41 investments worth $101.5m in the same 1989 period, Bank of Korea officials said yesterday.

Double-digit domestic wage hikes, rising costs of importing raw materials and the need to counter growing trade protectionism were the main reasons behind the rise in overseas investment.

EC and Gulf states agree to seek free trade pact

By Maurice Gent in Muscat

FOREIGN ministers from the European Community and the Gulf Co-operation Council agreed at the weekend that talks should start this spring aimed at achieving a free trade accord.

Officials on both sides conceded that the negotiations will be difficult and it will probably be about three years before any accord could come into force. At the meeting in Muscat there was, however, a clearly expressed will to work for closer economic and political ties between the EC and the Gulf states.

Since Oman was the host country as current president of the GCC, the Gulf delegation was led by Mr Yusuf bin Alawi, its Minister of State for Foreign Affairs. In his opening speech he emphasised the value of closer political and economic ties between the two organisations. It was a theme which was taken up by Mr Douglas Hurd, the UK Foreign Secretary, and several other speakers on the Community side.

Both western diplomats and Community officials were somewhat relieved at the constructive tone given the fierce arguments that have been going on over the export of gulf petrochemicals to the community. Only 10 days previously Mr Abdullah Bishara, the secretary general of the GCC, delivered a strong attack on European petrochemical producers and complained about the pressures they were putting on their governments.

Officials expect that serious talks on a free trade agreement will start in May when the Moslem fasting month of Ramadan is over.

The two main problems are:

● The unresolved argument over how petrochemicals should be treated. The EC is suggesting that so-called sensitive products should be phased into the agreement over periods of up to twelve years. The GCC is strongly against such a lengthy timetable.

● The Gulf states have yet to achieve a full customs union amongst themselves. Saudi Arabia for instance imposes duties of 12 per cent and more on some of the products of other Gulf states.

Agreement near in Washington on defence cuts

THE Bush administration is moving towards accepting large immediate cuts in US defence spending being sought by the Democrat-controlled Congress, in spite of reservations by Mr Dick Cheney, Defence Secretary, writes Peter Riddell.

The Administration budget in January proposed cutting $3.2bn from the $306bn in Pentagon spending in fiscal 1991 which would have been needed to maintain current programmes after adjusting for inflation.

However, the New York Times yesterday quoted officials as saying the Administration would accept a cut of $10bn-$11bn. That means the Pentagon would have no allowance for inflation in a roughly unchanged budget in cash terms.

Recent discussions among Democrats have pointed to a consensus on a cut of $12bn-$15bn from the $306bn figure, with the savings going towards reducing the federal budget deficit. Mr Cheney, however, has warned against leaving the armed forces "undermanned, undertrained, ineffective."

US may boost monitoring of foreign investment

By Peter Riddell

FRESH legislation extending official monitoring of the fast-growing level of foreign investment in the US will shortly be considered by Congress and has a good chance of being approved.

Hearings will begin shortly on a widely supported bill to increase access to data on individual foreign investments. Overseas companies fear this might breach commercial confidentiality, increase the risk of restrictive action and possibly discourage capital inflows.

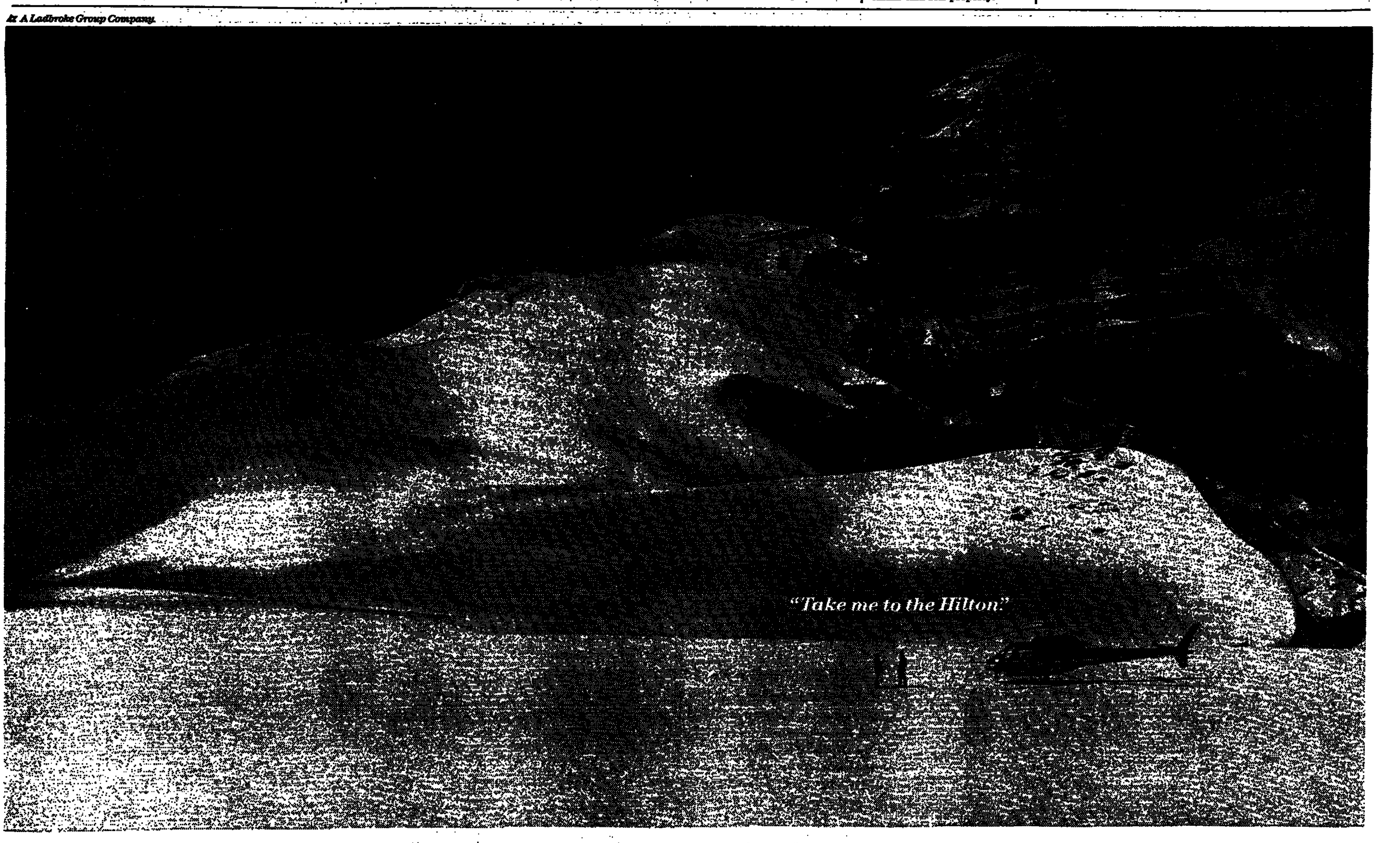
With new figures last week showing a further sharp increase in foreign investment in the US last year, there has been growing talk in Congress of the need for closer monitoring of such acquisitions with, as a start, improved collection of data. There is also the possibility of reviving proposals, blocked last year, which would increase capital gains tax for US subsidiaries of foreign-owned groups.

The latest proposal, from Democratic Congressman Phil Sharp, is a toned-down version of the so-called Bryant amendment which sought to impose extensive new reporting requirements on foreign investors and make the data widely available. While the amendment has twice passed the House of Representatives, it has made no further progress because of strong administration opposition.

The Sharp bill would not seek new data but would allow both the oversight Committee on Foreign Investment in the US and the General Accounting Office, an auditing body for Congress, access to detailed individual company data. The Association for International Investment (AFII), a lobbying group for major overseas investors, argues that these proposals risk breaching the confidentiality of such data.

The starting point is a widely supported proposal for the limited sharing of data between the Commerce Department's Bureau of Economic Analysis and the Census Bureau which would enable a more complete and detailed picture to emerge. The administration is shortly expected to move to have such legislation introduced in Congress.

A Ladbroke Group Company.



It hadn't been the easiest of assignments. But now he had the data and the samples he wanted, and the weather was worsening. Time to make a move. "Take me to the Hilton." A great place, the Hilton. He sometimes took it for granted, but that was a compliment. He'd never been let down yet. He smiled to himself at the prospect of a warm welcome and a hot bath. For the next few days, the only ice he wanted to see would be in a tall glass in the lobby bar.

◇ *For reservations at over 400 hotels, call your travel agent, any Hilton hotel or Hilton Reservations Worldwide (Germany: 069250102, France: 146873480.)*

HILTON INTERNATIONAL

THE HILTON · THE HOTEL

US could withdraw from Philippines bases within a year

THE United States will pull its forces out of the Philippines within a year if it cannot get a new agreement to extend use of key military bases, the commander of US forces in the Pacific said, Reuter reports from Manila.

Admiral Huntington Hardisty was quoted by the US armed forces newspaper Stars and Stripes yesterday as saying he was confident Washington and Manila would reach a new agreement on the US bases in the Philippines.

But the head of the US Pacific Command said in remarks made in Guam on Friday that he had drawn up plans to pull out within a year from when the lease on Subic naval dockyard, Clark air base and four smaller facilities ends in September 1991.

"In September '91, if we don't renegotiate, we'll be out of the Philippines in a year," Admiral Hardisty was reported as saying. "We're ready to go. We've got all the plans...It'll take exactly one year to move out."

Exploratory talks on the future of the bases, used to defend the Indian and Pacific Ocean regions, will open in Manila in mid-April, with President Corazon Aquino keeping her options open on whether to renew the lease or not.

There is strong pressure in the Philippine Senate to end the agreement. Philippine Defence Secretary Fidel Ramos has suggested a gradual phase-out of the bases, which bring in around $1bn a year for the country and employ 68,000 Filipino workers.

The US would like to see the agreement renewed for at least 10 years, arguing that despite a reduced Soviet threat in the region a US presence is still needed to ensure security.

But the negotiating atmosphere has been soured by Philippine government charges that the US has reneged on earlier pledges to pay $481m a year in 1990 and 1991 in direct aid and assistance.

Mrs Aquino, annoyed that appropriations by the US Congress for the Philippines have been cut by $96m for 1990, refused to meet Defence Secretary Dick Cheney when he visited Manila last month.

Admiral Hardisty was quoted as saying that US Navy ship repair facilities and Andersen air force base on the west Pacific US territory of Guam "could take on new, important roles if the US finds it necessary to move from the Philippines".

He said it would not be possible to move the entire Clark and Subic operations to Guam because of space limitations.

Bomb destroys US anti-drugs office

A powerful bomb thrown into a US Drug Enforcement Administration (DEA) office on Saturday destroyed the building and all records in it in the first direct attack on a DEA facility, authorities said, Reuter reports from Fort Myers.

The fire left the new office building a charred shell. No one was injured, but damage was estimated at about $4m, said a Federal Bureau of Investigation spokesman.

A spokesman for the DEA noted that this was the first time a DEA facility had been directly attacked.

Some local officials speculated that the explosions may be linked to a grand jury indictment handed up here last week which named four people in drug-related crimes.

Assistant US Attorney Greg Kehoe said, however, "we don't have any suspects, but virtually anyone we've prosecuted over the last year has the potential to be looked at."

The early morning attack came about three hours after a nearby blast in a residential street. No one was hurt in that explosion either. DEA sources said both blasts were caused by pipe bombs.

The DEA office contained evidence and records of ongoing investigations.

Arab states back Iraq on hanging

By Tony Walker in Cairo

ARAB states at the weekend signalled support for Iraq's President Saddam Hussein amid the continuing bitter row over the hanging last week of British-based journalist Mr Farzad Bazoft.

King Fahd of Saudi Arabia received his Iraqi counterpart on Saturday night in what was interpreted as a display of solidarity between the two major Gulf oil producing states.

Mr Bazoft, 31, was executed last week after being found guilty by a Baghdad court of spying. An Iranian exile, he was detained last September after visiting a military installation south-west of Baghdad. He was on assignment for The Observer.

Other Gulf states to signal backing for Iraq include Bahrain and Kuwait. Sheikh Khalifa Bin Sulman al-Khalifa, Bahrain's Crown Prince, said that it was "not appropriate" for Iraq to face an "unfair media campaign."

King Hussein of Jordan, who was said to have pleaded for clemency for Mr Bazoft, has also since added his voice to Iraq's defence. "We hope," he said in a radio interview in London, "that the numerous bids which we see and feel. . . and that aim at mistreating Iraq, not only in this case but on others, will cease."

The Baghdad regime is known to have been incensed by a series of highly critical reports of human rights violations in Iraq published recently. This may, in part, explain Iraqi defiance over the Bazoft affair.

Iraqis, meanwhile, staged officially-sanctioned demonstrations outside Britain's embassy in Baghdad at the weekend to protest at London's condemnation of the Bazoft hanging. Crowds surged around the entrance of the large embassy compound, chanting "we hanged your spy."

Maurice Gent adds from Muscat: Mr Douglas Hurd, the Foreign Secretary, raised the Bazoft issue at a weekend meeting of foreign ministers from the Gulf Co-operation Council and the EC in which he thanked Community and Gulf governments who had made representations to the Iraqis.

China's old guard issues a warning

AN ageing member of China's People's Political Consultative Conference is helped out of his seat in the Great Hall of the People yesterday as the country's leaders assembled to deliver a tough message to the nation, calling for political stability with the approach of anniversaries of last year's anti-government protests, Reuter reports from Peking.

President Yang Shangkun led Communist Party leaders into the meeting of the 2,000-strong advisory body. The conference work report handed to delegates said their first task was to "preserve and develop political stability and unity". The report singled out the US Congress for special criticism, accusing it of interfering in China's internal affairs.

The Prime Minister, Li Peng, is to deliver the keynote speech to the National People's Congress, China's rubber-stamp parliament, which opens its annual session tomorrow. He will also formally announce a relaxation of economic austerity. Chinese economists say the Government was alarmed at the millions of workers being laid off by bankrupt enterprises and considered this new phenomenon was as destabilising as the threat of more student-led protests.

Protesters march for reform in Taiwan

By John Elliott in Taipei

MORE THAN 10,000 people demonstrated yesterday in the Taiwanese capital of Taipei, calling for faster democratic reforms and for the removal from power of ageing leaders of the ruling Kuomintang (KMT) party, who will elect the country's President on Wednesday at a meeting of the National Assembly.

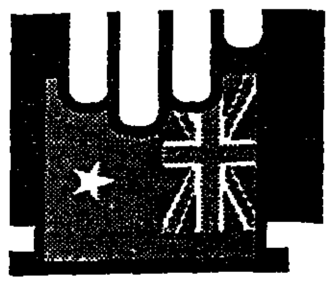
The demonstration was the biggest seen since martial law was lifted more than two years ago. It was also the most visible sign so far of a potential constitutional crisis that is looming over the role of the elders, who are blocking the development of democratic reforms.

The elders have held on to power since they arrived from mainland China 40 years ago with Generalissimo Chiang Kai-shek to found the modern Taiwan. Symbolically yesterday's demonstration was staged at the Chiang Kai-shek memorial square in central Taipei. This sudden upsurge of middle-class political activity will pose serious problems for President Lee Teng-hui, a popular reformer, after his expected re-election on Wednesday unless he can find a way to curb the elders' power.

On Saturday President Lee made an unusually blunt appeal for calm in the run up to Wednesday's session.

Hawke swoops on the key voters in Australia

By Kevin Brown in Melbourne



AUSTRALIAN ELECTIONS

LIKE other party leaders, the Australian Prime Minister, Mr Bob Hawke, has spent most of the campaign for next Saturday's election seeking the support of special interest groups, especially the newly emerged environmental movement, whose endorsement is considered essential for victory.

This is because Australia's system of preferential voting means the result of a close election like this one hangs on the second and third preferences of voters, rather than on their first choice alone.

Most political engagements during the campaign have been designed to reach one or other of these groups, and a tour of Melbourne by the Labor party leader last Thursday was no different.

Mr Hawke started the day by allowing himself to be sent up by the teenaged broadcasters of the Melbourne pop radio station, Triple M.

Shirt-sleeved and determinedly casual, Mr Hawke spent half an hour fending off Triple M's comic barbs in an attempt to establish some credibility with the under-20s, even going so far as to stand in briefly for the disc jockey.

The broadcast was hilarious, if impenetrably Australian. But as an exercise in electoral stage management, it is likely to prove self-defeating, since it showed the Prime Minister was the only man in the building without a sense of humour.

Having dealt with young Australia, the Prime Ministerial convoy headed to another radio station for an interview with Don Chipp, founder of the Australian Democrats, largest of the green-tinged minority parties contesting this election.

Mr Chipp, now a full-time radio personality, did his best to ask serious questions, only to find the Prime Minister taking over his show in an attempt to extract a second-preference endorsement for Labor's environmental policies.

Callers to radio stations where Mr Hawke was interviewed focused mainly on taxes and interest rates. Mr Hawke, whose Government has raised interest rates to slow an overheated economy, presented the pain as an investment in future prosperity.

Mr Hawke insists he expects to win the poll. But even when he is deriding "the other mob" – the Liberal/National Party coalition – there is little evidence of the sureness of touch that made him Australia's most popular politician.

The old trademarks – silver hair, craggy looks, earthy language – are still there. But he has nothing new to say to the electorate, which has returned him three times in the hope that he could rejuvenate the shaky fortunes of the "lucky country."

Sudanese rebels block flights to famine areas

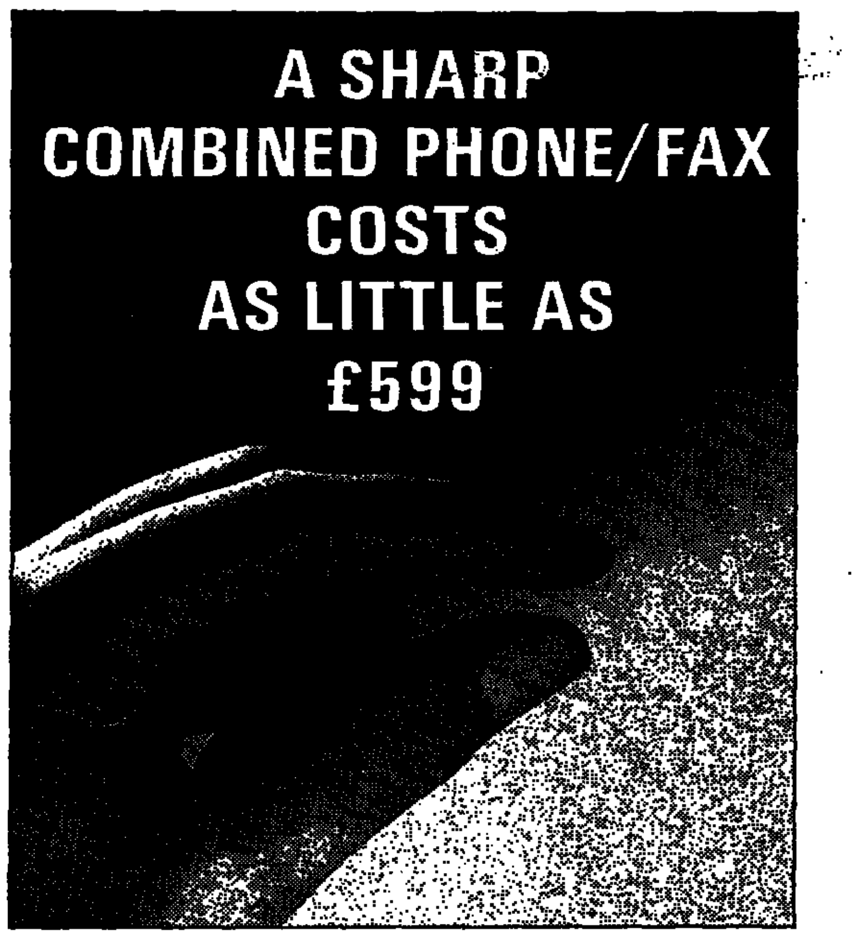
SUDANESE REBELS, bidding for a bigger share of famine relief, have unexpectedly stalled the resumption of mercy flights to both sides of the southern civil war, relief officials said on Sunday, Reuter reports from Addis Ababa.

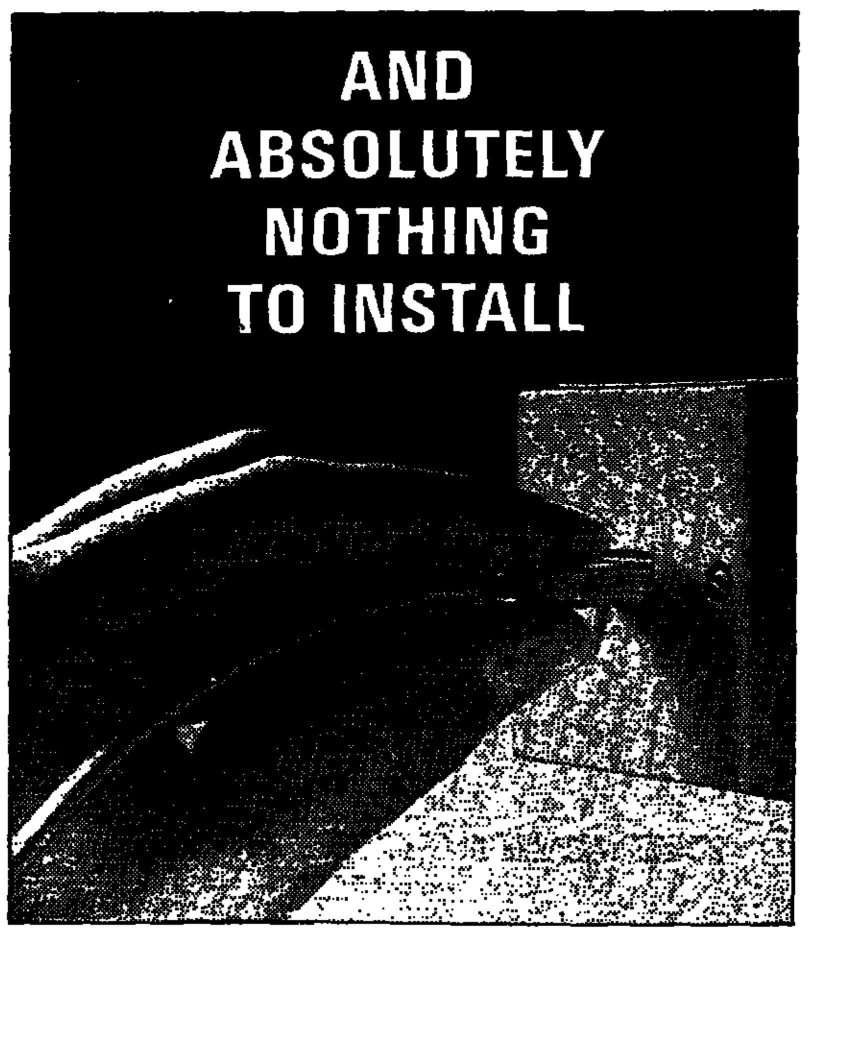
Hundreds of thousands of Sudanese could starve unless food reaches the region before the April-October rainy season.

The United Nations officials believed until Saturday that the rebel Sudan People's Liberation Army would let the flights begin and argue about the share-out later.

Now, a relief source say the rebels "are saying that the difference of figures has to be resolved first, and that until it is resolved they will not agree to a resumption of flights."

Khartoum banned foreign relief flights on November 3.





Even the smallest of small businesses can now afford a facsimile.

At home or in the office, the Sharp UX-100 does everything you'd expect of a larger machine at a fraction of the size and cost.

You see the UX-100 is a telephone and a fax machine in one neat unit.

And not only will you save money when you buy it, you'll save money as soon as you take it out of the box.

Because with the UX-100, you're not liable for any extra line installation charges. (Which could be anything up to £150.)

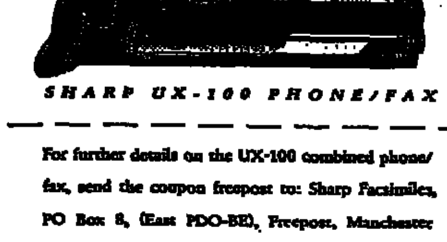
It very simply plugs straight into your existing telephone socket. So you'll also save on additional rental charges too.

Just take it out of the box, connect it and it's ready to work. At a moment's notice it can send a letter, document or quote in, well, just a moment.

And for a full 12 months we'll visit your office or home, should it ever need servicing.* (No extra charge of course.)

So put a pen between thumb and forefinger and find out more today.

*Mainland U.K. only. †Excluding VAT



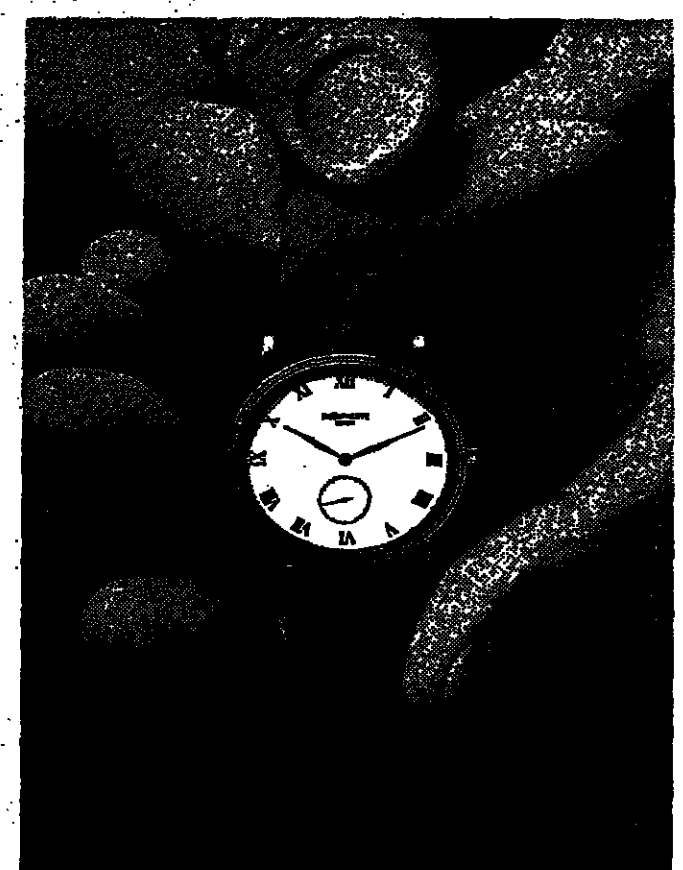
SHARP UX-100 PHONE/FAX

For further details on the UX-100 combined phone/fax, send the coupon freepost to: Sharp Facsimiles, PO Box 8, (East PDO-8D), Freepost, Manchester M30 9BB. Or phone free on: 0800 262 958.

Name
Position
Company
Address
Postcode Telephone
UX-108

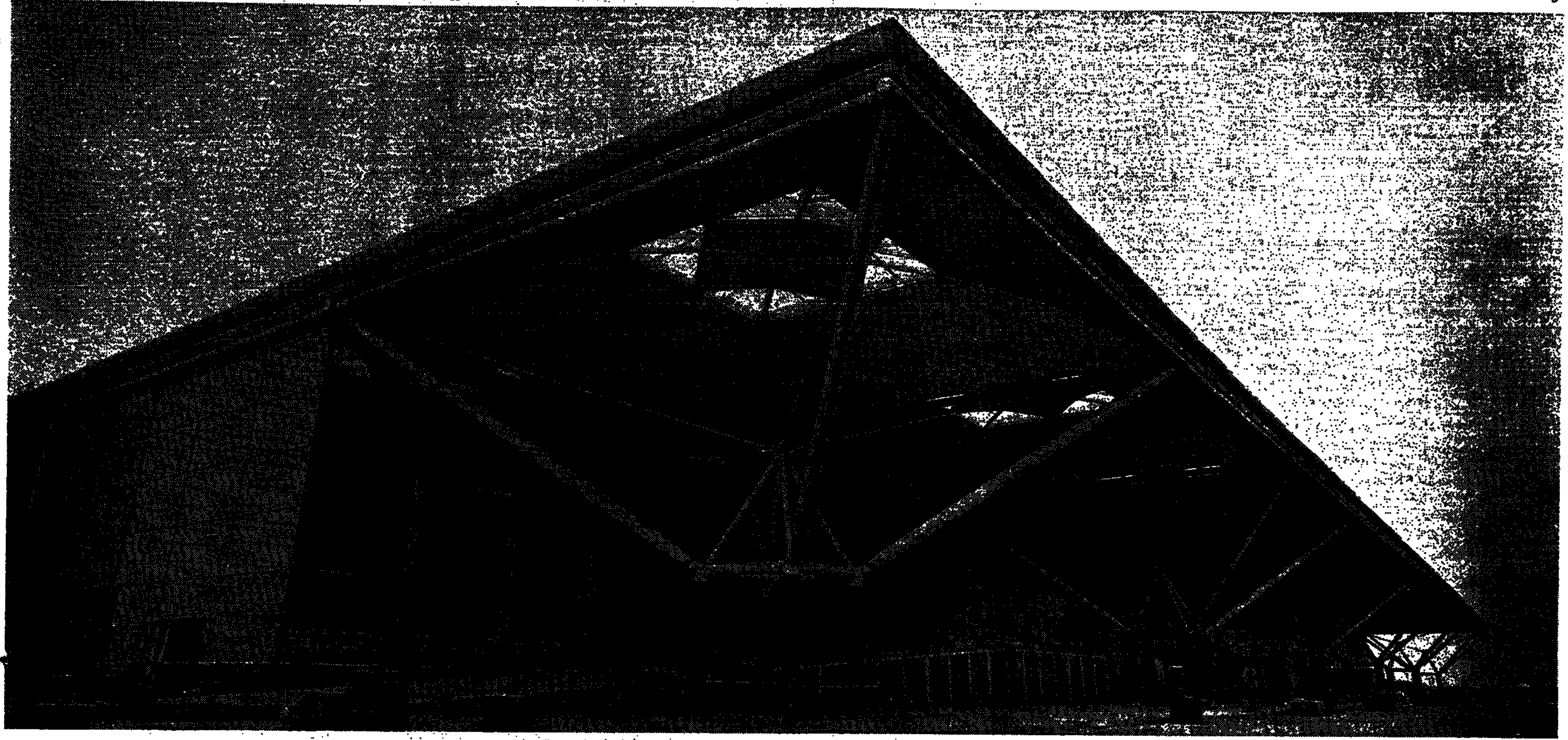
SHARP
FOR PEOPLE WHO MEAN BUSINESS

WHEN you first handle a Patek Philippe, you become aware that this watch has the presence of an object of rare perfection.
We know the feeling well. We experience it every time a Patek Philippe leaves the hands of our craftsmen.
You can call it pride. For us it lasts a moment; for you, a lifetime.
We made this watch for you – to be part of your life – simply because this is the way we've always made watches.
And if we may draw a conclusion from five generations of experience, it will be this: choose once but choose well.
A Patek Philippe – because it's for a lifetime.



PATEK PHILIPPE
GENEVE

Exclusive Patek Philippe showroom, 15 New Bond Street, London
Asprey & Co Ltd, 165 New Bond Street, London
Garrard & Co Ltd, 112 Regent Street, London
George Pragnell Ltd, 5 Wood Street, Stratford-upon-Avon
Watches of Switzerland Ltd, 69 Brompton Road, Knightsbridge, London
Watches of Switzerland Ltd, 22 Royal Exchange, Threadneedle Street, London
Watches of Switzerland Ltd, 500 Oxford Street, London
Tyme Ltd, 1 Old Bond Street, London



London's third airport will be second to none.

The new terminal complex at Stansted will open in March of 1991. 10 years and £400,000,000 in the making it is just part of BAA's £2 billion investment programme.

When you enter the terminal next year you will be struck by the simplicity of the Norman Foster design.

Everything you need is on one level.

Departures are on the left, arrivals on the right.

You will simply move in a straight line from the front of the building through check-in, security and passport control to the departure lounge at the back.

Stansted is ideally located just a short drive off the M11 and the M25. By train, it will take just 40 minutes on the direct rail link from Liverpool Street.

Nothing could be easier. But then making life easier for the passenger is what BAA is all about, and that takes careful planning.

BAA's forecasting team have consistently predicted passenger demand with unrivalled accuracy.

This expertise was behind the opening of the North Terminal at Gatwick, the new Terminal 4 at Heathrow and the rebuilding of Terminal 3 to give far greater comfort than before.

We are also planning the Heathrow Express rail link which will take just 16 minutes from Paddington.

With this policy of constant development and improvement, it's clear that with Heathrow, Gatwick and Stansted, London will not just lead Paris, Frankfurt and Amsterdam – our position as the number one international airport group in the world will be in no doubt.

B·A·A

The world's leading international airport group.

Heathrow · Gatwick · Stansted · Glasgow · Edinburgh · Prestwick · Aberdeen

Canada investment ready for Mexico says Mulroney

By Richard Johns in Mexico City

CANADA has "huge pools of investment capital" which could be directed to Mexico, Mr Brian Mulroney, Canada's Prime Minister, said at the end of three-day visit here, during which he signed 10 bilateral accords with President Carlos Salinas de Gortari.

He described the economic framework agreement aimed at stimulating investment and trade flows as "a jumping-off point for a greater degree of co-operation between Mexico and Canada as the months and years roll by."

Mr Mulroney also said that Canada's decision to become a member of the Organisation of American States had been greeted by Mr Salinas as "one of the most important events since its foundation."

The two leaders had found they had similar views on the internationalisation of industry, he told a press conference. Anxious to lessen US domination in trade and investment in Mexico, Mr Salinas hailed the visit and agreements as signifying "a new era characterised by closeness in economic, commercial and political relations."

Apart from the framework agreement, accords were signed relating to co-operation in combating drug trafficking and addiction, extradition, and exchanges relating to tax information. Others areas covered protection of the environment, agriculture, forestry, tourism, culture and customs.

The possibility of Mexico joining the North American Free Trade Area was not discussed, Mr Mulroney added. But he thought the thrust of Mr Salinas' policies was towards greater integration with the US.

"Whether this emerges into a more formalised relationship over the next decade I don't know." Mr Mulroney was accompanied by a group of business leaders. Mr John Crosbie, Canada's Minister of Trade, is due here next month.

Ottawa trade treaty talks

MR Brian Mulroney, Canada's Prime Minister, met last night with leaders of 12 Caribbean countries in Barbados to discuss Canada's trade and economic links with the region, Canute James writes. The summit was expected to discuss possible changes to a trade treaty between Ottawa and several Caribbean countries, which allows duty-free entry to the Canadian market.

Since Caribcan was implemented six years ago, several Caribbean leaders have sought changes, including a widening of the list of products granted preferential entry to Canada, and relaxation of the criteria determining duty-free access.

Canada's economic interest is significant, with investments valued at about C$4bn (£1.9bn). Canadian-Caribbean trade totals about C$600m a year.

Threat or opportunity for Caribbean?

Banana growers face up to single market; Canute James reports

1992 THE EUROPEAN MARKET

FOR Mr James Mitchell, Prime Minister of St Vincent, there is little argument about how the Caribbean should deal with the likely economic impact of the creation of a single European market after 1992. "We must not be frightened of what will happen in Europe after 1992," he says. "Is the single European market a threat or an opportunity? It can be both for the Caribbean. It is an opportunity if we are wise and imaginative – a threat if we are not."

Wisdom and imagination is what Mr Mitchell and other Caribbean leaders will need in dealing with one potentially damaging problem. St Vincent and the other islands of the Windwards group – St Lucia, Dominica and Grenada – have made much of a protected market in Britain for their bananas.

The four islands account for seven out of every 10 bananas eaten in Britain, and the revenues, estimated at $160m (£94m) a year, provide the basis for their economies. Removal of these earnings will affect the Windwards and the Leeward Islands, which share a common currency and have closely-linked economies. Preferential access for bananas to the UK market also shores up foreign earnings for the hard-pressed economies of Jamaica and Belize.

With the intended disappearance of internal EC frontiers after 1992 will go the ability of Britain (and France and Italy), to offer its traditional suppliers a protected market. Caribbean bananas will have to compete in the British market with fruit from Latin America which already dominates the rest of the EC. This prospect has made the region uneasy because Caribbean bananas, like those from other producers in the African, Caribbean and Pacific (ACP) group, cannot compete successfully with Latin American fruit.

Mr Vaughan Lewis, director-general of the Organisation of Eastern Caribbean States, an economic union of the Windward and Leeward Islands, said: "The problem for Caribbean bananas is cost of production. In the Windward Islands, it is 30 per cent higher than in Latin America."

Caribbean producers cannot achieve economies of scale to attain the output levels of Latin American fruit. Caribbean bananas are produced on small plots, often in hilly terrain. Latin American production is mainly on large plantations in more amenable landscape – and with cheaper labour than in the Caribbean.

The concerns of Mr Mitchell and his colleagues about deregulation of the European market have been compounded by indications that the multinationals which operate in the Latin American countries are preparing an assault on the EC market after 1992.

The Caribbean has traditionally had difficulties with the quality of its fruit sold in Britain, especially its appearance. "Ours taste much better than Latin American fruit," Caribbean officials argue. But even in the unlikely event that Caribbean bananas can be treated similarly to those from other sources after 1992, European housewives, fruiterers and greengrocers would be expected to be attracted more to the fruit which looks better.

Caribbean government officials and farmers' representatives conclude that the choices facing the region's industry are clear. The region can hope to convince Britain and the other EC members that Caribbean bananas deserve continued protection, and are worthy of a derogation after 1992. At the other extreme, producers could consider abandoning the crop if it could not compete in Europe, and turn to other exports. Others suggest a compromise – progressively reduced protection after 1992 while the region's producers, mainly the Windwards, diversify their farming sector.

The Dominican Republic, and Caribbean countries which export bananas to the UK, have ended a row over markets by agreeing to send their fruit to different parts of Europe. The Commonwealth Caribbean producers were concerned about a Dominican Republic plan to produce about 104,000 tonnes of fruit a year for export to the UK. The republic had earlier said it would not ship bananas to Europe under the banana protocol of the Lomé Convention, which allows duty-free access to the EC, and of which the republic is a new signatory. It argues it was not shipping the bananas under the protocol, but paying the required duties on the fruit.

Ironically, the region has been confused by what would otherwise be comforting words. Caribbean banana producers have been told for some time by British government officials that efforts will be made to protect their preferential access. This was followed by the recent declaration by ministers from the EC and the ACP in the last round of Lomé negotiations that no ACP banana exporter would be placed in a position less favourable than at present, after 1992.

"This, like previous undertakings, is comforting," said one St Lucian official. "But we are still concerned about the practical side of this. We are uncertain just how preferential access for our bananas will be permitted when this will be against the trend of all due to happen in Europe from the start of 1993."

Mr Mitchell sees a possible solution in a compromise. "Our policy is to protect bananas, then set the stage for diversification," he says. "But there are problems with diversification. We do not have the technical expertise to deal with new plants and crops. I am satisfied that with our climate, and market opportunities, we can produce new crops. The days of extensive agriculture are gone. We need to consider intensive agriculture."

While diversification of agriculture has been accepted in the eastern Caribbean as unavoidable, practical difficulties remain. In the Windward Islands, farmers have mastered the art of banana production – despite relatively high costs – on difficult terrain. They have come to terms with some peculiarities of the plant which make it suited to the region. It is a cash crop, vulnerable to storms, but can be replanted and be bearing again in nine months. "Farmers in these islands have used traditional production methods and have benefited from a guaranteed market," said Mr Lewis. "It will be difficult to change farmers' minds to new products."

Jamaica: difficult terrain and hard-pressed economy

The suitability of diversification has been questioned by Mr Anthony Slipper, managing director of the banana sector of Geest Industries, which markets Windward Island bananas in Britain. "Agricultural diversification is not the answer for bananas," he argues. "The status quo must be maintained. Bananas are suited for the Caribbean islands because of their speed of growth and recovery from disasters, such as hurricanes. It will take time to get new products off the ground. What is needed is more efficient banana production."

Mr Bowen Wells, Conservative MP for Hertford and Stortford, and chairman of the British Caribbean Parliamentary Group, said: "There is no alternative to diversification, but what can the Caribbean banana farmer diversify to? He needs to go into a high-value crop." But, countered Mr Benbrook Yates, director of technical resources of Booker Tate Agribusiness of Britain: "Many Caribbean countries are not highly blessed with agricultural resources. What would the farmers do with 1,000 acres of tomatoes?"

Concern about the future of Caribbean bananas in Europe has gone beyond arguments about preferential access and diversification. It has been central to determining Caribbean support for the application of the Dominican Republic to become a member of the ACP group. The ACP first sought assurances that admission of the Dominican Republic would not set a precedent for Latin countries in the Americas, many of which export bananas.

The republic's Government has stressed it does not now produce bananas for export, and will not increase output to sell the fruit on the European market. The extent of the Caribbean's fear over the future of the market for the fruit was clear when Mr Mitchell said he and his fellow-Caribbean leaders want "cast-iron assurances" from the Dominican Republic, or he could not back its application.

Grenada poll followed by political confusion

By Canute James in Kingston

THE eastern Caribbean island of Grenada has been overtaken by political confusion following an indecisive general election just under a week ago.

An attempt to create a coalition government and end several days of stalemate over a new government has been made uncertain by the vacillation of a key player.

Mr Ben Jones, the former Prime Minister, who was earlier reported to have become a minority partner in a coalition, has now said he made no such commitment.

This followed the swearing-in as Prime Minister of Mr Nicholas Brathwaite, leader of the National Democratic Congress, which took seven of the 15 seats in last Tuesday's election. Mr Jones, whose National Party took only two seats, had delayed stepping down, but did so after a meeting with Sir Paul Scoon, the Governor-General. Sir Paul is reported to have told Mr Jones to resign or he would have his appointment revoked.

After he was sworn in, Mr Brathwaite said he had the support of Mr Jones and the other successful National Party candidate, giving the Government a workable parliamentary majority of nine to six.

Mr Jones is crucial to the formation of any new government. He is being courted not only by Mr Brathwaite's NDC, but also by the Grenada United Labour Party of Sir Eric Gairy, another former Prime Minister, which took four seats, and the New National Party of Mr Keith Mitchell, which took two seats.

Mr Brathwaite is expected to name a Cabinet this week, but the acid test for his minority government will come when the new parliament is convened. If the new Prime Minister cannot lure at least one other MP to fight off an expected early vote of confidence, the island of 120,000 people will again have to deal with a general election.

Opec oil price pressure

PRESSURE to put up the price of oil is building within the Organisation of Petroleum Exporting Counties, which concluded a ministerial meeting in Vienna at the weekend, Steven Butler reports.

The ministers took no formal action other than to reaffirm the production agreement reached in November, which called for a 22m barrel a day production ceiling and an $18 minimum reference price for the basket of Opec crudes.

However, several ministers argued strongly in closed-door sessions that the cartel should take action to raise the price of oil above the current target of $18. The market price is currently slightly above this level.

Although a Libyan proposal to lift the minimum price immediately to $20 was not acted upon, sympathy for pushing up the price of oil was widespread among ministers, with the notable exception of Kuwait.

WORLD ECONOMIC INDICATORS

FOREIGN EXCHANGE RESERVES (US$m)

	Jan.'90	Dec.'89	Nov.'89	Jan.'89
US	48,223	44,551	42,702	18,324
UK	31,765	31,987	31,191	40,213
W. Germany	55,896	55,862	54,814	49,943
Japan	75,738	77,992	78,005	91,223
Belgium	9,941	9,760	9,431	7,878
Italy	46,001	44,278	42,110	33,137
	Dec.'89	Nov.'89	Oct.'89	Dec.'88
Netherlands	15,027	14,940	14,621	22,358
	Nov.'89	Oct.'89	Sept.'89	Nov.'88
France	21,674	22,117	22,995	23,257

Source: IMF

ACCEPTANCE FORMS MUST BE SENT TO THE CHIEF REGISTRAR, BANK OF ENGLAND (CONVERSIONS), NEW CHANGE, LONDON, EC4M 9AA TO ARRIVE NOT LATER THAN 12.30 P.M. ON FRIDAY, 6TH APRIL 1990; OR LODGED AT THE CENTRAL GILTS OFFICE, BANK OF ENGLAND, 1 BANK BUILDINGS, PRINCES STREET, LONDON, EC2R 8EU NOT LATER THAN 12.30 P.M. ON FRIDAY, 6TH APRIL 1990; OR LODGED AT ANY OF THE BRANCHES OR AGENCIES OF THE BANK OF ENGLAND NOT LATER THAN 3.30 P.M. ON THURSDAY, 5TH APRIL 1990.

OFFER OF CONVERSION TO HOLDERS OF
10 per cent CONVERSION STOCK, 2002
TO CONVERT INTO 9¾ per cent TREASURY STOCK, 2002

Application will be made to the Council of The International Stock Exchange for 9¾ per cent Treasury Stock, 2002 issued as a result of this conversion to be admitted to the Official List on Friday, 6th April 1990.

1 THE GOVERNOR AND COMPANY OF THE BANK OF ENGLAND are authorised to invite holders of 10 per cent Conversion Stock, 2002 to convert all or part of their holdings into 9¾ per cent Treasury Stock, 2002 on 11th April 1990 at the rate of £101.80 nominal of 9¾ per cent Treasury Stock, 2002 per £100 nominal of 10 per cent Conversion Stock, 2002.

2 Holders who do not wish to convert any part of their holding should do nothing.

3 Registered holders of 10 per cent Conversion Stock, 2002 at the close of business on 7th March 1990 who exercise the option to convert on 11th April 1990 will receive the interest payment due on 11th April 1990. Interest at the rate of £3.6864 per £100 nominal of 9¾ per cent Treasury Stock, 2002 will be paid as on 27th August 1990 in respect of Stock issued as a result of the conversion.

4 Conversion will be into registered stock of 9¾ per cent Treasury Stock, 2002 which, subject to the provisions contained in this notice, will rank equally in all respects with Stock already issued and will be subject to the provisions of the prospectus dated 12th August 1985. Holdings of 10 per cent Conversion Stock, 2002 in respect of which the conversion option is exercised will be surrendered free from all liens, charges and encumbrances and with all the rights now or hereafter attaching to them except the right to receive the interest payment due on 11th April 1990.

Method of acceptance

5 Copies of this notice and acceptance forms for completion are being sent by post to holders of 10 per cent Conversion Stock, 2002. In the case of joint accounts, the forms are being sent to the first of the holders whose registered address is in the United Kingdom (or, if none has such an address, to the first-named holder). Holders who wish to convert all or part of their holdings should complete the acceptance form. Stock resulting from this conversion may be added to existing holdings of 9¾ per cent Treasury Stock, 2002.

6 In the case of stockholders who are not members of the Central Gilts Office (CGO) Service, completed acceptance forms with stock certificates must be sent to the Chief Registrar, Bank of England (Conversions), New Change, London, EC4M 9AA to arrive not later than 12.30 P.M. ON FRIDAY, 6TH APRIL 1990; or lodged at the Central Gilts Office, Bank of England, 1 Bank Buildings, Princes Street, London, EC2R 8EU not later than 12.30 P.M. ON FRIDAY, 6TH APRIL 1990; or lodged at any of the Branches or Agencies of the Bank of England not later than 3.30 P.M. ON THURSDAY, 5TH APRIL 1990. The Bank of England will acknowledge receipt of acceptance forms.

7 In the case of stockholders who are members of the CGO Service, completed acceptance forms must be lodged at the Bank of England, Central Gilts Office, 1 Bank Buildings, Princes Street, London, EC2R 8EU not later than 12.30 P.M. ON FRIDAY, 6TH APRIL 1990.

8 If a holder wishes to convert but cannot obtain an essential signature or document by 6th April 1990, the acceptance form, completed so far as possible, should be lodged in accordance with paragraphs 6 or 7 above, accompanied by a letter from a bank, solicitor or other professional adviser giving the reason for the acceptance being incomplete and undertaking to put it in order as soon as possible; it may then be possible to give effect to the acceptance. If there is insufficient time for the acceptance form to be lodged before the close of the offer, the holder may notify acceptance by facsimile (fax numbers 01 601 3470 or 01 601 5432) quoting brief particulars to identify the account and specifying the amount of 10 per cent Conversion Stock, 2002 to be converted; this should be followed without delay by a completed acceptance form and the certificates.

Arrangements for conversion

9 Up to and including 10th April 1990 holdings in respect of which the conversion option has been exercised will be described on the register as 10 per cent Conversion Stock, 2002 "Assented"; and from 11th April 1990 until 25th July 1990 new holdings of 9¾ per cent Treasury Stock, 2002 issued on conversion will be described on the register as 9¾ per cent Treasury Stock, 2002 "A". Certificates for the new holdings of 9¾ per cent Treasury Stock, 2002 "A" will be issued as soon as possible after 11th April 1990.

10 Up to and including 6th April 1990, CGO account balances in respect of which the conversion option has been exercised will be described as 10 per cent Conversion Stock, 2002 "Assented"; and from 9th April 1990 until 23rd July 1990 balances in respect of 9¾ per cent Treasury Stock, 2002 issued on conversion will be described as 9¾ per cent Treasury Stock, 2002 "A".

11 Transfers of 10 per cent Conversion Stock, 2002 for which stock transfer forms are lodged for registration up to 12.30 p.m. on 6th April 1990 will carry the option to convert into 9¾ per cent Treasury Stock, 2002 on 11th April 1990.

12 Transfers of 10 per cent Conversion Stock, 2002 "Assented" lodged for registration or sent for certification should be accompanied by the Bank of England's acknowledgement of the receipt of the acceptance form or, if the acknowledgement has been lodged with an earlier transfer of the Stock, by the receipt issued for that transfer.

13 The interest due on 27th August 1990 will be paid separately on holdings of the existing 9¾ per cent Treasury Stock, 2002 and on holdings of 9¾ per cent Treasury Stock, 2002 "A" registered at the close of business on 25th July 1990; consequently, interest mandates, authorities for income tax exemption and other notifications recorded in respect of existing holdings of 9¾ per cent Treasury Stock, 2002 will not be applied to the payment of interest due on 27th August 1990 on holdings of "A" stock.

14 Where the conversion option has been exercised, any instructions for the payment of interest registered in respect of a holding of 10 per cent Conversion Stock, 2002 will be applied to the new holding of 9¾ per cent Treasury Stock, 2002 "A". Similarly, where instructions have been given by the Inland Revenue authorities for interest on the holding of 10 per cent Conversion Stock, 2002 to be paid without deduction of income tax, the instructions will be applied to the new holding of 9¾ per cent Treasury Stock, 2002 "A".

15 Transfers of 9¾ per cent Treasury Stock, 2002 "A" may be lodged at the Bank of England for registration in that form up to 23rd July 1990. After that date, for purposes of certification, the "A" stock will not be distinguished from the existing 9¾ per cent Treasury Stock, 2002. From the opening of business on 26th July 1990, the "A" stock will be amalgamated on the register with 9¾ per cent Treasury Stock, 2002. CGO account balances will have been amalgamated from the opening of business on 24th July 1990.

16 Her Majesty's Treasury have directed that Section 471 of the Income and Corporation Taxes Act 1988 (which relates to the treatment for taxation purposes of financial concerns whose business consists wholly or partly in dealing in securities) shall apply to exchanges of securities arising from this offer.

Particulars of the issue of 9¾ per cent Treasury Stock, 2002

17 The prospectus for 9¾ per cent Treasury Stock, 2002 dated 12th August 1985 included the following provisions:—

(i) The Stock is an investment falling within Part II of the First Schedule to the Trustee Investments Act 1961. The principal of and interest on the Stock is a charge on the National Loans Fund, with recourse to the Consolidated Fund of the United Kingdom.

(ii) The Stock will be repaid at par on 27th August 2002.

(iii) Interest is payable half-yearly on 27th February and 27th August. Income tax is deducted from payments of more than £5 per annum. Interest warrants are transmitted by post.

(iv) The Stock is registered at the Bank of England or at the Bank of Ireland, Belfast, and is transferable, in multiples of one penny, by instrument in writing in accordance with the Stock Transfer Act 1963. Transfers are free of stamp duty.

Stock registered at the Bank of England held for the account of members of the CGO Service is also transferable, in multiples of one penny, by exempt transfer in accordance with the Stock Transfer Act 1982 and the relevant secondary legislation.

18 Additional copies of this notice, the particulars of 9¾ per cent Treasury Stock, 2002 and forms for the acceptance of the conversion offer may be obtained at the Bank of England, New Change, London, EC4M 9AA; at the Central Gilts Office, Bank of England, 1 Bank Buildings, Princes Street, London, EC2R 8EU, or at any of the Branches or Agencies of the Bank of England; at the Bank of Ireland, Moyne Buildings, 1st Floor, 20 Callender Street, Belfast, BT1 5BN; or at any office of The International Stock Exchange in the United Kingdom.

19 Members of the CGO Service may obtain further guidance about the arrangements set out above in relation to their accounts by contacting the Central Gilts Office, Bank of England.

STOCKHOLDERS UNCERTAIN AS TO THE BEST COURSE TO FOLLOW SHOULD CONSULT THEIR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER.

Government Statement
Attention is drawn to the statement issued by Her Majesty's Treasury on 29th May 1985 which explained that, in the interest of the orderly conduct of fiscal policy, neither Her Majesty's Government nor the Bank of England or their respective servants or agents undertake to disclose tax changes decided on but not yet announced, even where they may specifically affect the terms on which, or the conditions under which, the further amount of 9¾ per cent Treasury Stock, 2002 is issued or sold by or on behalf of the Government or the Bank; that no responsibility can therefore be accepted for any omission to make such disclosure; and that such omission shall neither render any transaction liable to be set aside nor give rise to any claim for compensation.

BANK OF ENGLAND
LONDON

16th March 1990

Girozentrale und Bank der österreichischen Sparkassen Aktiengesellschaft

Japanese Yen 10,000,000,000 Floating Rate Notes due 1995
For the six months
19th March 1990
to 19th September 1990

In accordance with the provisions of the Notes, notice is hereby given that the rate of interest has been fixed at 6.95 per cent. per annum, and that the interest payable on the Interest Payment Date 19th September 1990 against Coupon No. 4 will be Yen 3,503,562 per Yen 100,000,000 Note.

The Industrial Bank of Japan, Limited
Agent Bank

BERGEN BANK A/S
Yen 9,000,000,000 Floating Rate Notes Due 1993
Yen 11,250,000,000 Inverse Floating Rate Notes Due 1993

In accordance with the provisions of the Notes, notice is hereby given that the rates of interest for the period from 15th March, 1990 to 15th March, 1991 have been fixed at 8.80000 per cent. Per annum payable on 15th March, 1991 in the amount of Yen 880,000 per denomination in respect of floating rate notes, and at 1.75800 per cent. Per annum payable on 15th March, 1991 in the amount of Yen 175,800 per denomination in respect of inverse floating rate notes.

The Nikko (Luxembourg) S.A.
As Agent Bank

NOTICE TO THE HOLDERS OF
DAIWA SECURITIES CO. LTD.
(Daiwa Shoken Kabushiki Kaisha)

5½% Convertible Bonds Due 1996 (the "1996 Bonds")
and
5½% Convertible Bonds Due 1998 (the "1998 Bonds")

Pursuant to Condition 5 (c) (xii) of the Terms and Conditions of the above-mentioned Bonds, notice is hereby given as follows:

1. On 9th March, 1990 the Board of Directors of the Company resolved to make a free distribution of shares of its Common Stock to shareholders of record as of 31st March, 1990 at the rate of 0.03 new share for each share held.
2. Accordingly, the conversion prices at which the 1996 Bonds and the 1998 Bonds may be converted into shares of Common Stock of the Company will be adjusted effective as of 1st April, 1990 [illegible] in effect [illegible] 416.2 for [illegible] 1998 Bonds [illegible] will be Yen [illegible] 413.7 for the 1998 Bonds.

DAIWA SECURITIES CO. LTD.
By: The Bank of Tokyo Trust Company as Conversion Agent

Dated: 19th March, 1990

NOTICE OF REDEMPTION

MORTGAGE FUNDING CORPORATION NO. 3 PLC

Class C-1 Mortgage Backed Floating Rate Notes
Due October 2023

NOTICE IS HEREBY GIVEN to Bankers Trustee Company Limited (the "Trustee") and to the holders of the Class C-1 Mortgage Backed Floating Rate Notes Due October 2023 (the "Class C-1 Notes") of Mortgage Funding Corporation No. 3 PLC (the "Issuer") that, pursuant to the Trust Deed dated 21st October, 1988 (the "Trust Deed"), between the Issuer and the Trustee, and the Agency Agreement dated 21st October, 1988 (the "Agency Agreement"), between the Issuer and Morgan Guaranty Trust Company of New York (the "Principal Paying Agent") and others, the Issuer has determined that in accordance with the Redemption provisions set out in the Terms and Conditions of the Class C-1 Notes, Class C-1 Notes in the amount of £4,000,000 will be redeemed on 2nd April, 1990 (the "Redemption Date"). The Class C-1 Notes selected by drawing in lots of £100,000 for redemption on the Redemption Date at a redemption price (the "Redemption Price") equal to their principal amount, together with accrued interest thereon are as follows:

OUTSTANDING CLASS C-1 NOTES OF £100,000 EACH BEARING THE DISTINCTIVE SERIAL NUMBERS SET OUT BELOW
Bearer Notes

39	153	299	481	594	697	806	926	1063	1140
62	183	385	493	597	719	811	947	1071	1157
124	209	419	503	620	778	849	1006	1085	1178
150	229	468	533	652	793	882	1026	1125	1200

The Class C-1 Notes may be surrendered for redemption at the specified office of any of the Paying Agents, which are as follows:

Morgan Guaranty Trust Company of New York
PO Box 161
1 Angel Court
London EC2R 7AE

Union de Banques Suisses (Luxembourg) S.A.
36-38 Grand-rue
L-2011 Luxembourg

Morgan Guaranty Trust Company of New York
Avenue des Arts 35
B-1040 Brussels, Belgium

Morgan Guaranty Trust Company of New York
30 West Broadway
New York, New York 10015
Attn: Corporate Trust Administration

In respect of Bearer Class C-1 Notes, the Redemption Price will be paid upon presentation and surrender, on or after the Redemption Date, of such Notes together with all unmatured coupons and talons appertaining thereto. Such payment will be made (i) in sterling at the specified office of the Paying Agent in London or (ii) at the specified office of any Paying Agent listed above by sterling cheque drawn on, or at the option of the holder by transfer to a sterling account maintained by the payee with, a Town Clearing branch of a bank in London. On or after the Redemption Date interest shall cease to accrue on the Class C-1 Notes which are the subject of this Notice of Redemption.

MORTGAGE FUNDING CORPORATION NO. 3 PLC
By: MORGAN GUARANTY TRUST COMPANY OF NEW YORK, as Principal Paying Agent

Dated: March 19, 1990

NOTICE

Withholding of 20% of gross redemption proceeds of any payment made within the United States is required by the Interest and Dividend Tax Compliance Act of 1983 unless the paying agency has the correct taxpayer identification number (social security or employer identification number) or exemption certificate of the Payee. Please furnish a properly completed Form W-9 or exemption certificate or equivalent if presenting your Class C-1 Notes to the paying agency's New York Office.

Computer groups to fight tax ruling on expenses

By Alan Cane

COMPUTER software and services companies are challenging the Inland Revenue over tax on expenses. They say these payments will cost the industry millions of pounds a year and reduce its international competitiveness.

They have decided to set up a £200,000 fighting fund to challenge a tax on living expenses of employees working away from home over long periods. The decision follows a long and acrimonious battle over what the industry sees as unfair tax treatment. Many companies have withheld payments for several years in the absence of a clear ruling on the issue.

Vista Computing Services, a specialist in systems for publishers and printers, with sales of about £8m, intends to spearhead the fight with financial help from fellow members of the industry's trade body, the Computing Services Association (CSA).

Mr Patrick Whale, of the accountants and information technology consultancy Peat Marwick, who has been co-ordinating the CSA's campaign against the tax, said it was one of the most serious threats to the profitability of the UK computing services industry.

Not only would companies have to pay substantially increased tax bills in the current year, he said, but the Inland Revenue had the power to demand six years' back tax.

The CSA says that if it loses the battle, it will have to pass on the cost of the extra taxes to customers, pushing up the cost of computing in the UK and undermining UK companies' competitiveness in Europe. The dispute may also have implications for other service industries.

The Inland Revenue takes the view that an employee who works for most of the time at a number of different sites has no fixed place of business. Each site is his or her place of work at the time. In consequence, travelling and subsistence expenses are incurred in getting to work rather than in the course of the job and are therefore subject to tax.

Mr Alan Smith, Vista managing director, said this was inequitable and uncommercial. Unless the Inland Revenue changed its attitude, UK computing services firms would enter the Common Market with a heavy cost handicap.

Computing services companies say one of their most profitable business activities is providing skilled staff to work with their customers' own data processing staff at their own sites. Some regularly commute from one end of the country to the other.

Vista, for example, has some 80 staff, 30 of whom are permanently away from the company's Soho Square head office, working on customers' sites in the UK and Europe. Tax costs on staff travelling expenses would run into six figures, Mr Ron Gaskill, Vista financial controller said.

The Inland Revenue's hand, he said, had been strengthened by a recent case, Ederkin v Hindmarch, which had been fought and lost by a consultant engineer. Vista hoped to have that judgment reversed to establish clear rules for expense payments.

The Inland Revenue confirmed late last week that it would seek tax on expenses paid for travelling to work; it was not aware of Vista's intended action.

Full EMS membership would lift exports, say manufacturers

By Peter Norman, Economics Correspondent

FULL British membership of the European Monetary System (EMS) would raise Britain's exports to the European Community (EC), according to a survey of manufacturers released today.

The survey, conducted by the Confederation of British Industry (CBI) and management consultants Price Waterhouse, suggests that exports could rise by nearly £3bn in the first year after entry into the EMS exchange rate mechanism (ERM) and by around £4bn a year over five years.

It was carried out in December and January and covered 80 companies, responsible for 6 per cent of total UK manufacturing exports and 8 per cent of manufacturing output.

Nearly two thirds of companies polled said that the greater exchange-rate stability of the EMS would encourage them to export more to the EC. Most expected to increase their exports by 5 to 10 per cent in the short term and 10 to 15 per cent in the long term.

Mr David Lees, chairman of Guest Keen and Nettlefolds and the CBI's economic and financial policy committee, said the survey results "underline the importance to business and the economy as a whole of the UK joining the ERM."

The CBI found that ERM entry could produce significant savings in the cost of hedging against exchange rate movements. Exporters might save £100m a year in the short term.

Looking further ahead towards the possibility of economic and monetary union in the EC, the survey also found that many companies saw advantages to the European Currency Unit (ECU) being accepted as a single currency to accompany fixed exchange rates in the Community.

The main benefits would be cheaper and simpler import and export procedures. However, a substantial number of companies also said they feared increased access to UK markets by European competitors if the ECU were established either as a parallel currency or as the only European currency.

The Exchange Rate Mechanism and UK Manufacturing Exports. CBI, Centre Point, 103 New Oxford St, London WC1A 1DU. £20 (members £10).

Britons set to holiday at home this year

By David Churchill, Leisure Industries Correspondent

MORE Britons are expected to holiday at home this year, according to a survey from the English Tourist Board.

It reports that 24 out of 29 holiday operators who specialise in UK holidays say that bookings are running at a higher level than last year, when the record amount of sunshine helped give domestic tourism its best summer trade for several years.

Just over half the operators surveyed report that bookings are at least 10 per cent higher than at the same time last year.

The buoyancy in bookings for holidays in Britain is in contrast to the 20 per cent decline in demand for Mediterranean package holidays this summer.

High interest rates are blamed for this. Those Britons who are benefiting from higher interest rates – with small mortgages and/or substantial savings – are taking more long-haul holidays, according to American Express Holidays.

The company said that bookings for American holidays were 55 per cent higher in January than in the January 1989.

● Cornwall hopes to make a money-spinner out of its tin mining - not out of the tin, but from tourists, *writes Hazel Duffy*. Consultants have been appointed to examine ways of exploiting the tourist potential of inland areas.

Six organisations with an interest in this part of Cornwall – including Cornwall County Council and Kerrier District Council – have appointed Roger Tym and Partners, development economists and planners, to prepare an environmental strategy for the area around Camborne and Redruth.

The consultants will assess measures already under consideration by the local authority, like the reclamation of derelict land, the development of footpaths and cycleways along the Red River valley and former mineral tramways, and the conservation of a 6,000-year-old hillfort.

Irony behind the extradition issue

Kieran Cooke suggests the Irish courts have been 'playing the game'

THERE was more than a touch of irony about the decision last week by the Supreme Court of the Republic of Ireland not to extradite to Northern Ireland Mr Dermot Finucane and Mr James Clarke – two of the republican prisoners who took part in a mass breakout from the Maze prison near Belfast in 1983.

A minority here – a very small minority – sees the Supreme Court judgment as one in the eye for Britain, the old colonial enemy, and a victory for the cause of Irish freedom.

Meanwhile, some Tory backbenchers, seemingly encouraged in their views by Mrs Thatcher and supported by sections of the British media, see it as yet another example of Irish duplicity. The Irish have failed to extradite two convicted terrorists. They refuse to play the game.

Yet, a look at the decision by the five judges shows that on this occasion, the Irish were very much playing the game. Much of the judgment of the Supreme Court seems to have been influenced by a previous legal decision.

The irony is that it was reached not in an Irish court, but in a British one.

In 1988, Mr Brian Pettigrew, a Maze prisoner, alleged in the High Court in Belfast that in the aftermath of the 1983 breakout, warders had indulged in systematic violence against republican prisoners.

Some had been forced to run the gauntlet of lines of warders, being kicked by the warders and bitten by alsatian dogs. Mr Justice Hutton, now Lord Chief Justice of Northern Ireland, awarded Mr Pettigrew £3,000 damages.

Further court actions have followed. More than 40 present or former inmates of the Maze have now been awarded a total of more than £50,000 damages for injuries sustained at the prison after the breakout.

While Dublin and Belfast are clearly separate legal jurisdictions, judges can be influenced by decisions reached in each other's courts. Most Belfast and Dublin judges know and respect each other.

In their judgment on Mr Finucane and Mr Clarke, the Dublin judges expressed concern that none of the prison officers involved in the violence had been prosecuted. Many were still working at the Maze.

The judges concluded that Mr Finucane and Mr Clarke could be mistreated if returned to the Maze. Their constitutional rights had to be protected.

There is no doubt that last week's judgment turns much of the extradition process on its head. The implication of the judgment is not only that there were problems in the Maze, the main destination for terrorist offenders, but that there still could be.

Therefore others extradited to the Maze could be subject to ill treatment.

There is another serious implication for future extradition cases buried in the pages of the Supreme Court decision.

In the past, the IRA has claimed that its offences were politically motivated and therefore people should not be extradited from the Irish Republic.

The Supreme Court Judges in the Republic seemed to imply that such defences would be accepted in the future.

The British authorities have been quick to condemn such an idea as a slur on the prison service. Suggestions that prisoners could be sent to other prisons have been dismissed – it is felt that this would be tantamount to admitting that all was not well at the Maze, a prison where there has been very little trouble recently.

The Irish government has stressed the independence of Irish courts and wants talks with Britain on ways of improving the complex extradition process.

Ireland says that in the past Britain has frustrated attempts to reform the extradition process or make it work more effectively. It also makes no secret of its anger about repeated suggestions by Mrs Thatcher that the Republic is a safe haven for terrorists.

The Irish police and prison service, which have expended a great deal of energy and resources tracking down and detaining people such as Mr Finucane and Mr Clarke, have made it clear that they are as anxious as anyone to improve the system.

They point out that last year Mr Paul Kane, another Maze escapee, was extradited to Northern Ireland, amid considerable publicity and after a lengthy legal process in the Republic of Ireland. He was subsequently released by the British authorities.

Owen Carron in London: as an MP he backed the protests of Maze prisoners

The legal battles are set to continue. Within the next month the Irish Republic's Supreme Court will hear an appeal against extradition from Mr Owen Carron, the former Westminster MP, wanted in Northern Ireland on charges relating to possession of a firearm. Four other cases are pending. It seems the extradition issue will plague relations between Britain and Ireland for some time to come.

St Patrick's Day revels are marred by violence

VIOLENCE marred several St Patrick's Day celebrations in Ireland yesterday and on Saturday. Plastic bullets were fired in Dungannon, Co Tyrone, yesterday when a crowd attacked Royal Ulster Constabulary vehicles near the town centre after a parade.

The RUC described as "ferocious" an attack by a crowd on their station at nearby Coalisland. About 60 petrol bombs were thrown at the station on Saturday night.

A youth was taken to hospital suffering from injuries after one of the trucks overturned. The RUC said plastic bullets were fired at rioters.

In Dublin a father of three from Telford, Shropshire, was stabbed to death as he walked over O'Connell Bridge. Mr Kieron Farmer, 33, had been attending the stag night party of a friend.

Elsewhere in Dublin a policeman was hit by a crossbow bolt fired from a motorcycle.

Cardiff wins £5m olive pest control contract

UNIVERSITY of Wales College, Cardiff, has been awarded a £5m contract to develop a system of pest control for olives, writes Anthony Moreton, Welsh Correspondent.

Europe is the source of 80 per cent of the world's olive oil and half of the olives which are eaten, according to the university college.

However, in spite of £50m a year spent on pesticides, disease cause crop losses estimated at between 15 and 30 per cent of the £3bn a year output.

The research programme will explore alternative methods of pest control, including the manipulation of parasites and predators against pests and the use of sex-attractant chemicals to lure them into traps.

The researchers will be working with a local partner, Agrisense BCS, and another nine in Spain, Italy and Greece, the main olive-growing countries.

Europe has a number of features which make it an outstanding opportunity for investors – the completion of a European Single Market in 1992 leading to increased merger and acquisition activity, political and economic reform in Eastern Europe, and an attractive valuation of financial assets. The large size of the European equity warrant markets and the attractive premium rating of equity warrants could make this a most exciting form of investment.

The gearing inherent in warrants will increase the risk and potential reward to investors in the Fund, we therefore recommend that investors do not expose more than 1–2% of their total portfolio to the European Warrant Fund.

MINIMUM INVESTMENT – U.S.$5,000

The Fund is denominated in U.S. dollars and was launched on 12th February 1990 at U.S.$5.00 per share. Investment can be accepted in any freely convertible currency through the Currency Conversion Service.

It should be noted that past performance is not necessarily a guide to the future. The value of shares can fall as well as rise. Investors may not get back the amount originally invested.

The Fund has an initial charge of 6% and annual charges of 2.675%.

The Fund is an open-ended investment company (SICAV), based in Luxembourg and its shares are listed on the Luxembourg Stock Exchange.

Registered Office: 14, Rue Aldringen, Luxembourg - R.C., Luxembourg B24400.

To: MIM Britannia International Limited, P.O. Box 271, MIM Britannia House, Grenville Street, St. Helier, Jersey, C.I.

Please send me the prospectus for The MIM Britannia European Warrant Fund (on the terms of which alone applications will be accepted).

NAME

ADDRESS

TEL

I wish to be contacted by a Financial Adviser who is familiar with your products ☐

MIM BRITANNIA INTERNATIONAL LIMITED

MIM Britannia House
P.O. Box 271, Grenville Street, St. Helier, Jersey, Channel Islands.
Telephone: (0534) 73114 Telecopier: (0534) 73174

MIM BRITANNIA INTERNATIONAL LIMITED

MIM Britannia International Limited is the General Portfolio Manager and has been appointed distributor of the Fund having received a permit to act as functionary to the Fund under the Collective Investment Funds (Jersey) Law 1988.

COMPANY NOTICES

TO THE HOLDERS OF

MITSUBISHI OIL COMPANY, LIMITED

U.S.$100,000,000 4 per cent. Guaranteed Notes due 1993 with Warrants (the "1988 Warrants")

and

U.S.$250,000,000 4 ⅛ per cent. Notes due 1993 with Warrants (the "1989 Warrants")

NOTICE OF ADJUSTMENTS OF SUBSCRIPTION PRICES

Pursuant to Clause 4 of the Instrument dated 19th May, 1988 relating to the 1988 Warrants (the "1988 Instrument") and Clause 4 of the Instrument dated 9th February, 1989 relating to the 1989 Warrants (the "1989 Instrument"), notice is hereby given that Mitsubishi Oil Company, Limited has adjusted the Subscription Prices (at which shares are issuable upon exercise of the 1988 and 1989 Warrants) due to the issuances on 15th March, 1990 of its U.S.$250,000,000 2⅜ per cent. Notes due 1994 with Warrants and Swiss Francs 200,000,000 Zero Coupon Swiss Franc Convertible Notes due 1994, the subscription or conversion price of which is less than the current market price per Share (as defined in the 1988 or 1989 Instrument, as the case may be). The Subscription Prices for the 1988 and 1989 Warrants have been adjusted in accordance with Condition 7 of the 1988 and 1989 Warrants, from Yen 720.00 per share of common stock to Yen 707.90 per share of common stock for the 1988 Warrants and from Yen 1,466.00 per share of common stock to Yen 1,441.30 per share of common stock for the 1989 Warrants, effective as of 15th March, 1990.

The Mitsubishi Bank, Limited
as Principal Paying Agent
on behalf of
Mitsubishi Oil Company, Limited

Dated 19th March, 1990

COMPUTER INDUSTRY

The Financial Times proposes to publish this survey on:

20th April 1990

For a full editorial synopsis and advertisement details, please contact:

Meyrick Simmonds on 01-873 4540

or write to him at:

Number One Southwark Bridge London SE1 9HL

FINANCIAL TIMES

RENTALS

WETHERBY GARDENS, SW5
Spacious second floor flat in excellent conversion with 2 double bedrooms, 2 reception rooms, kitchen, 2 bathrooms, cloakroom/utility room. Available now long let. £625 per week.

ELVASTON PLACE, SW7
Immaculate third floor flat with 2 bedrooms, reception room, kitchen, 2 bathrooms, terrace. Available now long let. £500 per week.

EDWARDES SQUARE, W8
Excellent house in this sought after Kensington Square. The accommodation comprises 3 bedrooms, 2 reception rooms, study, eat-in kitchen, 2 bathrooms, cloakroom. West facing garden and access to Square gardens. Available 1st April long let. £1200 per week.

SLOANE GARDENS, SW1
Elegant flat in very good condition with 2 double bedrooms, enormous reception room, kitchen, 2 bathrooms. Direct access to communal gardens. Available now long let. £575 per week.

QUEENSGATE GARDENS, SW7
Spacious family flat in very good order with 4 bedrooms, 2 reception rooms, kitchen and 2 bathrooms. Access to Square gardens. Available 1st April long let. £950 per week.

BERKELEY GARDENS, W8
Charming ground floor flat with 2 bedrooms, reception room, kitchen, bathroom and shower room. Available now long let. £350 per week.

All rents quoted are exclusive of rates.

01-730 0822 132-135 Sloane Street, London, SW1X 9AX

KENWOODS RENTAL

QUALITY FURNISHED FLATS AND HOUSES
Short and Long Lets
23 Spring St, London W2 1JA
Tel: 01-402 2271 Telex: 25271
Fax: (01) 262 3750

CLASSIFIED ADVERTISEMENT RATES

	Per line (min 3 lines)	single col cm (min 3 cms)
	£	£
Appointments	16.00	55.00
Commercial & Ind. Property	14.00	48.00
Residential Property	11.00	38.00
Business Opportunities	16.00	55.00
Businesses For Sale/Wanted	15.00	52.00
Personal	11.00	38.00
Travel	11.00	38.00
Contracts, Tenders	15.00	52.00

Premium positions available £10 per Single Column cm extra (min 30 cms)
All prices exclude VAT
For further details write to: Classified Advertisement Manager FINANCIAL TIMES, 1 SOUTHWARK BRIDGE, LONDON SE1 9HL

THE NORDIC FINANCIAL & INVESTMENT CENTRES

The Financial Times proposes to publish this survey on:

25 APRIL 1990

For a full editorial synopsis and advertisement details, please contact:

CHRIS SHAANNING or GILLIAN KING on 01-873 3428/4823

or write to them at:

Number One Southwark Bridge London SE1 9HL

FINANCIAL TIMES

WORLD HEALTHCARE

The Financial Times proposes to publish this survey on:

29 MAY 1990

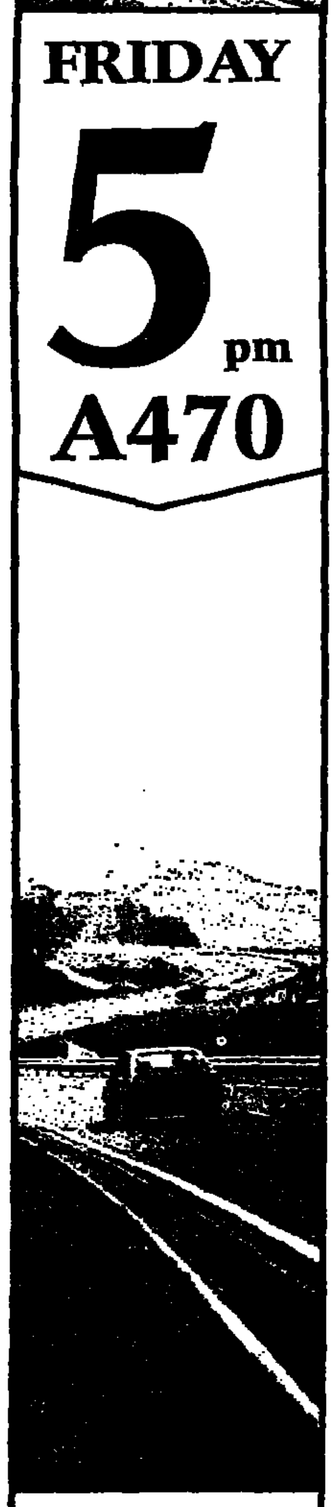
For a full editorial synopsis and advertisement details, please contact:

Denis Cody on 01-873 3301

or write to him at:

Number One Southwark Bridge London SE1 9HL

FINANCIAL TIMES



One picture is worth a thousand words – and these two pictures illustrate one of the many differences that you'll find living and working in the Cynon Valley. Some of the successful companies that have expanded or relocated in this South Wales valley are Hitachi, Pirelli, A.B. Electronics, Lonrho . . . Why don't you pay us a visit – soon.

Contact: Chris Burns
Industrial Development Officer
Gadlys Enterprise Centre
Gadlys, Aberdare,
Mid Glamorgan, CF44 8DL

TEL.
0685
882515

CYNON VALLEY
CYNGOR BWRDEISTREF CWM CYNON
CYNON VALLEY BOROUGH COUNCIL

Fife police out to stop criminals listening in

By Richard Donkin

POLICE IN Fife will be able to Tango Foxtrot in privacy from the beginning of April when every radio in the Scottish force will be equipped with a scrambling device to prevent eavesdropping by criminals, thought to be a growing problem.

Cairntech, a specialist electronics company based in Inverkeithing, near Edinburgh, has won a contract worth more than £100,000 to supply Fife police with voice scramblers for all its radios, including personal radios used by beat constables.

The company claims Fife will be the first police force in Europe to operate a secure voice system on all personal, mobile and base radios.

Mr Graham Bennet, an assistant chief constable at Fife, said a six-month trial of radios using the scramblers in Glenrothes had resulted in "a noticeable reduction" in crime, particularly burglaries at public houses and clubs.

He said teams of criminals had been using commercially available sophisticated radio scanners to monitor police frequencies. "We have changed over our frequencies to combat this but we are aware that criminals are trying to tune into the new frequency," he said.

Mr Timothy Laing, chief executive of Cairntech, complained that the Home Office was dragging its feet over approving the system in England in spite of success in trials in Scotland.

He said: "We are surprised by the English Home Office delay in approving this system, given its proven success in Scotland and with other Government and Ministry of Defence users. The recent rise in crime must give them cause for concern."

A number of English police forces are known to be increasingly concerned about the use by criminals of scanners that cover the entire radio frequency spectrum. According to Mr Laing, in one raid by thieves on an electrical shop in Manchester the only goods stolen were scanners – televisions and other electrical products were ignored.

Mr Laing said that while the Scottish Office had been impressed by the Fife trials, which he hoped would lead to further orders from throughout Scotland's eight police forces, the idea of fitting scrambling equipment across the 43 police forces in England and Wales appeared to be meeting some resistance in the Home Office.

The Home Office recently approved the sale of radios equipped with scramblers to specialised police departments such as drug squads, but the system is purpose-built and does not extend to small mobile radios.

The Cairntech product, a miniature voice encryption device, can be integrated into existing equipment, which the company claims makes it more cost-effective. The Home Office debate is thought to centre on whether voice scramblers are needed throughout an entire police force.

NOTICE TO HOLDERS OF
DAIWA SECURITIES CO. LTD.
Warrants to subscribe for shares of Common Stock of Daiwa Securities Co. Ltd. issued in conjunction with issues of U.S. $120,000,000 2⅛ per cent. Bonds due 1991 (the "1991 Warrants") and U.S. $600,000,000 5⅛ per cent. Bonds due 1993 (the "1993 Warrants")
[illegible]
DAIWA SECURITIES CO. LTD.
By: The Bank of Tokyo Trust Company as Depositary Agent
Dated: 19th March, 1990

THE ROYAL BANK OF CANADA
Dividend No. 411
NOTICE is hereby given that a dividend of 29 cents per share upon the paid up common shares of this Bank has been declared for the current quarter and will be payable at the Bank and its Branches on and after 24 May, 1990 to shareholders of record at close of business on 24 April, 1990.
By Order of the Board
Jane E. Lawson
Vice-President & Secretary
Montreal, March 6, 1990

Import deal near on French power

By Maurice Samuelson

LARGE-SCALE imports of French electricity are expected to be resumed shortly under a commercial arrangement being finalised between the UK industry and Electricité de France, the French state owned utility.

The electricity, from nuclear power stations in northern France, would flow through cables under the English Channel which can transmit the entire output of a 2,000MW power station.

Agreement is believed to have been reached between EdF and representatives of the 12 area electricity distribution companies of England and Wales about a three-year supply contract covering 75 per cent of the link's maximum capacity. All 12 area distribution companies in England and Wales will have options to buy the French power but initially only about six will be able to register the purchases as part of their obligatory quota of non-fossil-fuel electricity.

Final agreement is understood to be subject to parallel negotiations between EdF and National Grid over transmission charges.

National Grid inherits the CEGB's title to the British half of the link on March 31, when the electricity industry moves officially into the private sector.

These negotiations recently stalled over National Grid's apparent wish to apply transmission charges to its half of the undersea cables. EdF, as the link's joint owner, angrily objected to being charged for current passing across the seabed. But it now says it understands the National Grid's need to show a return on its land-based part of the cross-Channel equipment.

Governments of both countries have been involved in the talks and Mr John Wakeham, Energy Secretary, is believed to have helped to ease the deadlock.

EdF has been negotiating in London through ALEC, a company set up jointly last summer by EdF and Associated Heat Services.

Cross-Channel power exchanges previously took place under a contract between EdF and the CEGB, which terminated at the end of 1989. Since then there have been intermittent flows, mostly imports by EdF which has recently lost generating capacity because of faults on nuclear power stations and lack of water to maintain hydroelectric output.

The new contract has not yet been signed, but officials believe that outstanding differences will be resolved in time for supplies to resume in April.

There might then be a further brief delay caused by a prolonged oil leakage from the cable terminals on the French side of the Channel, but EdF says this will be repaired shortly.

Companies join private gas-fired scheme

By Maurice Samuelson

TWO electricity supply companies have joined the consortium planning to build a £500m independent gas-fired power station at Barking Reach on the Thames in London. Canada's CU Power, which operates in northern and western Canada, and Hydro Electric of Scotland (formerly the North of Scotland Hydro Electric Board) are to join Thames Power, which plans a 1,000MW plant on an existing power station site.

The move follows the withdrawal of Shell and Esso from a plan to build a 200MW, £500m gas-fired power station at Shell's Shellhaven refinery on the Thames estuary.

Shell says it originally launched the scheme in order to develop the market for gas-fired electricity.

However, this market had now acquired a momentum of its own, leaving Shell free to concentrate on its own marketing of gas to potential customers. Nevertheless, it was still considering a smaller combined heat and power plant at Shellhaven.

By joining the Thames Power project at Barking, the Scottish Hydro Board is making its second foray into the English electricity market. It recently announced a plan to build a large gas-fired power station on Teesside in collaboration with Northern Electric, the former North East Electricity Board.

Mr Michael Cornish, Thames Power's chief executive, said yesterday that the addition of CU Power and Scottish Hydro "further enhances Thames Power's ability to meet the demands, and take the opportunities, of the power generation market."

Construction of the plant is intended to begin in about 12 months, but the consortium will first have to successfully get through a public inquiry which will also examine the rival plans of the London Borough of Barking and Dagenham to put housing on the proposed site.

Mr Cornish said he was confident of winning the inquiry, and claimed the land, currently owned by National Power, was unsuitable for housing.

In the expanded consortium, Schroder will hold 10 per cent of the shares, with the remaining 90 per cent divided equally among the four other shareholders.

THE GOVERNMENT is close to agreeing with the 12 area electricity boards the formulae which will control electricity price changes after the industry's privatisation this year. The formulae will cover only about 30 per cent of a consumer's electricity bill.

Call for competitive milk market

By Bridget Bloom, Agriculture Correspondent

THE GOVERNMENT should abolish the monopoly exercised by the UK's milk marketing boards, Mr Andrew Dare, president of the Dairy Trades Federation, suggested at the weekend. He advocated that abolition should be the first stage in establishing a fully competitive market in milk and dairy products.

Mr Dare's plea comes on the eve of today's annual meeting between the Milk Marketing Board for England and Wales – by far the largest of the five UK boards – and the DTF, which represents the dairy manufacturers.

At stake is the 57-year-old monopoly under which the milk boards buy and sell on all the milk produced by the UK's 44,000 dairy farmers. The boards and the DTF between them fix prices for that milk, depending on its end use.

Mr John Gummer, the Minister of Agriculture, has criticised the system. For the past six months, the two sides have been deadlocked over the MMB's proposal to change the negotiated price-fixing process to a tendering system.

According to Mr Dare, the DTF will today "formally and unequivocally" reject this proposal as creating an uneven playing field between the two now equal partners in the price-fixing exercise.

While the DTF will submit counter proposals, by Mr Dare's own admission these are not for radical change, but "tinker with the existing system to bring it up to date."

"The basic problem is whether we have the system at all," Mr Dare said. "Unless and until the minister intervenes to abolish the statutes enforcing the monopoly, that change will not come about."

The DTF believes that the UK should introduce a system comparable to that in most EC countries, where producers in regional co-operatives supply local creameries.

However, Mr Dare claims that this could have the result of increasing prices to farmers without a higher cost to consumers.

Union bank to help Solidarity

UNITY TRUST, the trade union bank, is to advise the Solidarity trade union on setting up a bank in Poland, writes Richard Waters.

Two senior officials from Unity Trust, which is owned jointly by trade unions and the Co-op Bank, will visit Poland later this month.

The visit is being paid for out of the British Government's fund for Poland, which was set up last year to help provide advice.

Mr Gordon Beesley, managing director of Unity Trust Bank, said: "We are keen to help Solidarity and to determine how a corporate banking sector can speed up the development of the Polish economy."

Due credit promised for hard cash

David Barchard on plans to alter rules governing credit cards

EVER SINCE credit cards first appeared in the 1960s, many retailers have chafed at having to pay a commission to their banks each time a customer makes a purchase with a credit card, while being unable to charge customers less if they pay by cash.

The grievance may soon be a thing of the past. This week, Mr John Redwood, the Consumer Affairs Minister, told the Commons he would introduce legislation very shortly, enabling retailers to charge customers less if they pay for goods or services in cash.

This is in line with the conclusions of last summer's report by the Monopolies and Mergers Commission on the credit card business that the "no-discrimination rule" (the stipulation by credit card organisations such as Visa and MasterCard that retailers must charge customers the same amount whether they pay by card or in cash) is undesirable because it restricts the power of retailers to set their own prices. The change could be in force by the summer, a lot sooner than if the Department of Trade and Industry had left things to be thrashed out voluntarily between banks and credit card organisations.

Mr Redwood's decision to force the pace seems to have been triggered by the decision by Visa International, the largest credit card network, to seek a judicial review over whether the MMC finding applies to it.

"Politically it was not a clever thing for Visa to have done," says Mr Bob Woodman, spokesman for the Retail Consortium, a trade body which represents most UK retailers.

Ken Bignall: Chief Executive of Barclaycard

Gerry Hawkins: Lloyds Bank Assistant GM

Retailers are delighted that the no-discrimination rule is ending and see it as a step towards a more competitive market. Mr Woodman, though, thinks that many retailers may not take advantage of their new power.

Large retailers nowadays prefer to be paid by plastic and dislike the expense and security problems which come from handling cash. What they dislike are the commissions on credit cards. The flat charges on debit card transactions – which are close to charges on cheques – they happily accept.

The banks are deeply dismayed. Their initial reaction to the MMC report was that it was a damp squib which had failed to address itself to the needs of a rapidly changing industry.

In the banks' eyes, the Government, personified in Mr Redwood and Mr Nicholas Ridley, the Trade and Industry Secretary, has come down firmly on the side of the retailers, just at a point when the two sides are locked in negotiations about sharing the cost of the electronic payment systems on which future generations of shoppers will rely.

The confrontation between the banks and the Government over credit cards is slightly unusual for a Conservative administration. It goes back two years to the day when Mrs Thatcher allegedly chopped up her credit card in protest at having her credit limit raised without her consent, although there are mutterings that the banks' unwillingness to operate a student loans system has also played a part in the antagonism. Banks claim that no one much wants cash discounts. They point out that the MMC report itself said that a survey of retailers showed that 49 per cent were against allowing discounts for cash payment, while only 27 per cent were in favour. A survey of consumers gave similar results.

"In our view customers who pay by credit card should not have to pay more than the amount of the retailers' service charge, which averages around 1.7 per cent," says Mr Gerry Hawkins, Assistant General Manager at Lloyds Bank.

"We are hearing of cases of retailers offering discounts of three per cent or more for cash when only paying a service charge of under two per cent," says one banker. The most open attack on the Government has come from Barclays, the largest UK credit card issuer.

Mr Ken Bignall, chief executive of Barclaycard, this week warned that that the DTI's plans might leave consumers overcharged and confused. Consumer groups disagree. They say that cash and cheque customers subsidise credit card customers.

FIRST AUSTRALIA PRIME INCOME INVESTMENT COMPANY LIMITED
International Depositary Receipts
issued by
Morgan Guaranty Trust Company of New York
Notice is hereby given to the shareholders that :

Payment of coupon Nbr. 17 of the International Depositary Receipts will be made in US dollars on or after March 22nd, 1990 at the rate of US$ 0,0924 per ordinary share at the following offices of Morgan Guaranty Trust Company of New York:

- New York, 30 West Broadway
- Brussels, 35 avenue des Arts
- London 1 Angel Court
- Frankfurt, 44/46 Mainzer Landstrasse

The dividend is not subject to any Australian tax. The Belgian withholding tax will be applicable to IDR holders presenting their coupons to the office of the Depositary without the appropriate Belgian non resident certificate.

MORGAN GUARANTY TRUST COMPANY OF NEW YORK
BRUSSELS OFFICE, AS DEPOSITARY

GLOBAL GOVERNMENT PLUS FUND LIMITED
International Depositary Receipts
representing 100 Common shares

Notice is hereby given to the shareholders that the Board of Directors of GLOBAL GOVERNMENT PLUS FUND LIMITED has declared a quarterly dividend of USD 0,105 per common share payable over the next quarter on a monthly basis in April, May and June.

Monthly dividends of USD 0.035 per common share will be payable on 7th May 1990, 5th June 1990 and 6th July, 1990 to shareholders on the register on 16th April 1990, 16 May 1990 and 16th June 1990 respectively.

Coupons numbers 21 to 23 of the International Depositary Receipts will therefore be payable in USD on the following dates and at the rates indicated below, net of the depositary's fee, at the following offices of MORGAN GUARANTY TRUST COMPANY OF NEW YORK :

BRUSSELS - 35 avenue des Arts
LONDON - 1 Angel Court
FRANKFURT - 44-46 Mainzer Landstrasse
ZURICH - 38 Stockerstrasse

BANK OF SCOTLAND INVESTMENT RATES

Bank of Scotland announces the following improved rate structures for investment accounts with effect from 2nd April 1990:

Premier Investment Account (30 day notice)

BALANCES	NET%	NET CAR%	GROSS EQUIV CAR%
£25,000+	11.11	11.70	15.60
£10,000–£24,999	10.72	11.27	15.02
Less than £10,000	10.53	11.05	14.74

Interest paid monthly

HOBS Investment Account

BALANCES	NET%	NET CAR%	GROSS EQUIV CAR%
£100,000+	11.31	11.80	15.73
£50,000–£99,999	10.92	11.38	15.17
£25,000–£49,999	10.72	11.16	14.89
£2,500–£24,999	10.33	10.74	14.32
Less than £2,500	8.97	9.28	12.37

Interest paid quarterly

NET = Net of liability to basic rate tax
NET CAR = The effective net annual rate of interest payable when interest is re-invested.
GROSS EQUIVALENT CAR = The effective gross annual rate of interest which basic rate taxpayers would require to receive to earn the equivalent of the NET CAR.
Interest rates are subject to variation.

BANK OF SCOTLAND
A FRIEND FOR LIFE
Bank of Scotland, The Mound, Edinburgh EH1 1YZ

To the Holders of
WARRANTS
To subscribe for shares of common stock of
OKASAN SECURITIES CO., LTD.
(the "Company")
U.S. $50,000,000
4⅛% Guaranteed Notes Due 1993
NOTICE OF FREE DISTRIBUTION OF SHARES AND ADJUSTMENT OF SUBSCRIPTION PRICE

Pursuant to Clause 4 (A) of the Instrument dated June 30, 1988 under which the above described Warrants were issued, you are hereby notified that a free distribution of Shares of the Company at the rate of 0.03 share for each one share held will be made to shareholders of record as of March 31, 1990.

As a result of such distribution, the Subscription Price at which shares are issuable upon exercise of the Warrants will be adjusted pursuant to Condition 7 of the Terms and Conditions of the Warrants from 1,749.40 Japanese Yen to 1,698.40 Japanese Yen effective as of April 1, 1990 (Japan Time).

THE INDUSTRIAL BANK OF JAPAN TRUST COMPANY on behalf of:
OKASAN SECURITIES CO., LTD.
Dated: March 19, 1990

GRANVILLE
SPONSORED SECURITIES

Capitalisation £000's	Company	Price	Change on week	Gross div (p)	Yield %	P/E
8029	Ass. Brit. Ind. Ord	338	0	10.3	3.0	9.1
550	Armitage and Rhodes	22	+1			
136916	Bardon Group (SE)	174	-3	4.3	2.5	16.9
19110	Bardon Group Cv. Pref. (SE)	111	0	6.7	6.0	-
4839	Bray Technologies	80	+2	5.9	7.4	7.1
	Bremhill Conv Pref	90	-1	11.0	12.2	-
1193	CCL Group Ordinary	314	0	14.7	4.7	3.9
2100	CCL Group 11% Conv Pref	168	-2	14.7	8.8	-
16740	Carbo Plc (SE)	210	0	7.6	3.6	12.4
770	Carbo 7.5% Pref (SE)	110	0	10.3	9.4	-
-	Magnet Gp Non Voting A Cnv*	0.125	0	-	-	-
-	Magnet Gp Non Voting B Cnv*	0.125	0	-	-	-
7407	Isis Group	93	0	8.0	8.6	5.3
23189	Jackson Group (SE)	108	+1	3.6	3.3	12.6
19884	Multihouse N.V. (AmstSE)	255	-1	-	-	-
1392	Robert Jenkins	137	+2	10.0	7.3	5.0
17376	Scruttons	362	+2	18.7	4.0	9.6
9273	Torday & Carlisle	300xd	0	9.3	3.1	10.5
	Torday & Carlisle Conv Pref	104xd	0	10.7	10.3	-
-	Unistrat Europe Conv Pref	155	0	9.3	6.0	-
4950	Veterinary Drug Co. PLC	300	0	22.0	7.3	9.4
6250	W. S. Yeates	279	-1	16.2	5.8	23.3

Securities designated (SE) and (USM) are dealt in subject to the rules and regulations of The ISE. Other securities listed above are dealt in subject to the rules of TSA
These securities are dealt in strictly on a matched bargain basis. Neither Granville & Co. Limited nor Granville Davies Limited are market makers in these securities.
* These securities are dealt on a restricted basis. Further details available

Granville & Co. Limited
77 Mansell Street, London E1 8AF
Telephone 01-488 1212
Member of TSA

Granville Davies Limited
77 Mansell Street, London E1 8AF
Telephone 01-488 1212
Member of The ISE & TSA

MEMBER AFBD
TIME TO BUY GOLD?
CAL Futures Ltd
Windsor House
50 Victoria Street
London
SW1H 0NW
Tel: 01-799 2233
Fax: 01-799 1321

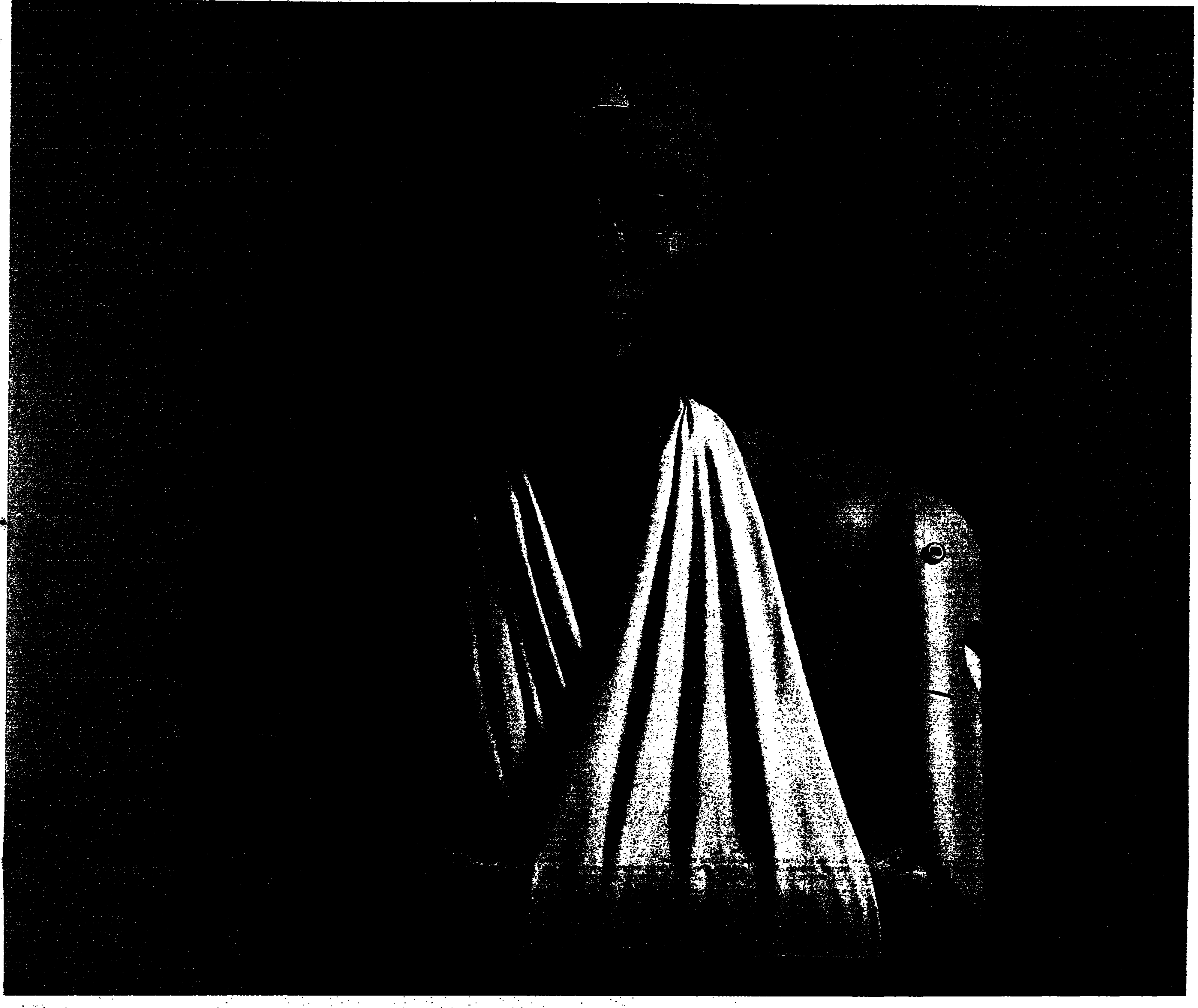
Why shuttle when you can go air direct?

As an air charter company we will arrange everything from hotel and restaurant reservations, to car or taxi bookings. With Air Direct your next business trip starts and ends on your doorstep, at times that fit your schedule. And much, much more besides.

So why be shuttled around with the crowd, when you can fly Air Direct.

Air Direct Limited
Terminal Building (Airside)
Southampton Airport Southampton
SO2 2HG Tel 0703 611266

AIR DIRECT



YOU'D BE SURPRISED WHICH SWEDISH CAR IS OFFICIALLY THE SAFEST.

Recently, two independent reports have confirmed that the safest cars you can possibly drive, are Saabs. One survey, from the Highway Loss Data Institute (used by all major American insurance companies to assess premiums) measures the frequency with which cars collide and the number of injuries which occur on U.S. roads.

It is the most comprehensive study of car occupant protection in the world. And Saabs came out as safest in each of their sections.

On this side of the Atlantic, Britain's most respected consumer magazine named the Saab 900 as Best Large Family Car, and the Saab 9000i as Best Luxury Car, in safety ratings involving 133 other makes of car.

In Sweden itself, the leading insurance company Folksam, rate Saab as more than thirty per cent safer than its nearest rival, which in Britain is considered a very safe car.

What all this proves, is that Saab's mixture of crumple zones, energy absorbing padding and safety cages provide you and your family with the best chance of avoiding injury in the event of a serious accident. While features such as the ergonomically designed driver's area and easy to read dashboard help to actually avoid the accident in the first place.

If you would like a copy of the reports just give us a ring on 0800 626556. Once you've read them, we hope you'll soon realise that only a dummy would drive any other car.

SAAB

THE AIRCRAFT MANUFACTURER

British Steel may be thwarted in Spanish takeover

By Peter Bruce in Madrid and Hugo Dixon in London

BRITISH STEEL'S bid of about £250m to take control of the Jose Maria Aristrain group, Spain's largest producer of steel sections, may be under threat. Ensidesa and Altos Hornos de Vizcaya (AHV), two of the country's largest steelmakers, are thought to be close to making a counter bid.

Such a move by Ensidesa, which is part of the state industrial holding group, Instituto Nacional De Industria (INI), and AHV, which is indirectly owned by the state, would be the first time Spanish interests had combined to thwart an acquisition of a local company by foreigners since Spain joined the European Economic Community in 1986.

Since then, foreign investment has been the driving force behind the Spanish economy with inward acquisitions totalling more than $20bn (£12.4bn).

Since its privatisation, British Steel has been actively looking for opportunities to expand overseas.

As well as being interested in the Grupo Jose Maria Aristrain, British Steel is also negotiating to purchase the German Kloeckner-Werke group's special sections and welded tube business.

Ensidesa and AHV are reported to be formulating a bid with the help of Spain's large state bank, the Instituto de Credito Oficial (ICO) which would at least match the British Steel offer. Although British Steel has not yet officially acknowledged that it is trying to buy Aristrain, it is known to be keen to expand in the Spanish market and recently bought a small steel stockholder in the Basque country.

Aristrain, which is also Basque-based, is one of Spain's largest privately owned steel companies and its markets are in one of the few sectors of the Spanish economy still growing strongly. The managing director is thought to prefer a Spanish takeover to a British one.

Both Ensidesa and AHV, which have only recently returned to operating profitability after years of losses, fear a strong British Steel presence in Spain might rob them of an important customer and establish an important toe-hold in the country through which to import high quality steels.

Deadline passes without charge-cap decision

By Ralph Atkins

THE deadline by which local authorities had to set their budgets for the next financial year expired yesterday with no clear indications on how many will be community charge "capped" by Mr Chris Patten, the Environment Secretary.

Criteria for deciding which councils should be capped are being drawn up by the Department of the Environment.

A survey published today shows the cost of administering the community charge as a principal reason why poll tax levels are so much higher than Government projections.

The Local Government Information Unit's survey of 30 local authorities shows that many authorities kept expenditure plans for 1990-91 within inflation levels.

The Unit said: "Councils are not taking advantage of the new system to levy high poll taxes and boost balances. . . many are using balances to safeguard service levels and keep net expenditure low."

Mr David Blunkett, LGIU president and Labour's local government spokesman, said: "This survey nails the myth . . . that high poll tax levels are a result of local authorities salting away money or spending excessively."

Industrialists only interested in industry's interest

Charles Leadbeater reports on companies' hopes without optimism for a relaxation in monetary policy

BRITISH industry's most optimistic hopes for tomorrow's Budget are modest. It expects to get even less.

Companies do not expect any relaxation of corporation tax to offset high interest rates. Nor do they believe tax concessions would have much impact. Mr Colin McCarthy, finance director of Bowthorpe Holdings, the electronics group, said: "You cannot plan on the basis of tax breaks which could be removed at a stroke."

The extent of the consensus among British industrialists is limited to two points. The Government cannot provide the solution to corporate difficulties through one-off measures. Most manufacturing companies expect a Budget which will pave the way for a more stable exchange rate and a cut in interest rates later in the year.

Mr Robert Tomkinson, finance director of Electrocomponents, said: "We need more continuity, more of a lead, a clearer path into the rest of the year."

Mr Ian Fairfield, chairman of Chemring, the electronics group, concurred: "It cannot be a giveaway budget. It is going to be more of the same."

Beyond that, industrialists' views differ according to their companies' dependence on the UK market, their exposure to the consumer goods sector and the degree of pain that high interest rates have inflicted.

Sir Clifford: recession could spread to all industries

Most of the pain is being borne by companies and sectors which are heavily reliant on the UK market. Those which have internationalised, either through increasing exports or direct investment abroad, are affected far less by British policy.

The divide between the domestically and internationally-oriented sides of British industry goes some way to explaining why it is taking longer than expected for higher interest rates to feed through into slower growth, weaker wage pressure and declining inflation.

The most vociferous in calling for a shift in economic policy are those such as construction companies and heavy truck makers. Those companies are heavily dependent on UK markets which have been hit hard by the interest rate squeeze.

George Wimpey, the construction group, last week reported a 7 per cent fall in profits for 1989. Sir Clifford Chetwood, the group's chairman and chief executive, said: "High interest rates have ensured that 1990 is the first year of recession in the building industry for nine years. Turnover will continue to fall and the Government will have considerable difficulty in avoiding this recession becoming national for all industries in the UK."

Sir Clifford wants lower interest rates to be accompanied by a reduction in stamp duty and an increase in mortgage interest tax allowances.

Mr Cyril Acton, managing director of ERF, the Cheshire-based truck maker, said: "People want trucks when they are moving goods. Lower retail sales mean fewer goods are moving around. Interest rates are the key."

But Mr Acton expects very little comfort from the Chancellor: "It's going to be tinkering, he cannot afford to do anything else."

Most companies are relying on their own efforts, rather than on the Chancellor, to see them through.

ERF is in a stronger position than it was in the early 1980s. It has used the growth of the past three years to prepare for a slowdown. In common with other truck makers, it has introduced cost cutting, including short-time working. It is also trying to expand exports from about 9 per cent of output to between 15 and 20 per cent.

Even companies heavily dependent on UK sales have, as yet, escaped the worst of the squeeze where they operate in markets which are not linked to retail sales. Companies involved in cellular telecommunications and the supply of electronic components for industrial uses are still enjoying growth.

SALES of lift trucks used in factories and warehouses fell by 16 per cent in the first two months of this year compared with the corresponding period of 1989, writes Nick Garnett. That confirms a trend begun last year of declining investment by companies in materials handling equipment. Total sales of lift trucks fell from 22,300 in 1988 to 19,300 last year. In January and February 3,080 lift trucks were sold in the UK compared with 3,650 for the same months in 1989.

Although slowing growth is starting to affect sectors such as car components distributors, many companies linked to the car industry have yet to feel the pinch. Their main concern is that interest rates should not rise again before coming down late this year.

Finally, for internationalised companies, with only about a third of their sales in the UK, the main significance of the Budget is how it might affect running an international business from a British base.

Mr Peter Curry chairman of Unitech, the electronic components supplier, which makes about a quarter of its sales in the UK, said: "One of the main tax issues is how advanced corporation tax in the UK cannot be offset against foreign profits. But as far as overall economic policy is concerned we have to be as concerned about growth in continental Europe, Japan and the United States."

But even internationalised British companies would worry about a further rise in interest rates. Mr McCarthy of Bowthorpe Holdings, which earns about a third of its revenues in the UK, said: "If rates went up another point it would not make that much difference. But if they went up by 1¼ or 2 points it would get very tough."

Most judge that the prospects for an interest rate cut depend on whether the economic cycle synchronises with the political cycle next year to allow the Government to ease policy in the run up to the general election.

What matters for industry is not so much the specifics, but the wider political significance of the Budget. Will it pave the way for a more relaxed monetary policy and a resurgence in the Government's popularity? The first signs are appearing that the Government's troubles over the economy and the poll tax are clouding industry's judgments about the future.

One electronics company chief executive said: "Clients and suppliers abroad are starting to talk about Mrs Thatcher's instability. It is definitely becoming a factor. If it looks as if Labour could get in then we would be very cautious about making long-term investments in the UK in the next two years."

Mr Curry of Unitech concurred: "The possibility that the Government may change in two years is becoming an issue. The handling of the poll tax has been inept. The main issue would be how Labour would affect the UK as a base for internationalised businesses. People would probably wait and see before making any major moves. After all, some companies have made a lot of money out of Labour governments."

Greens to put forward higher taxes on motoring

THE GREEN Party will today propose introducing a "carbon tax," big increases in petrol duty and abolishing tax relief on company cars as part of a self-financing Budget for a "caring and sustainable" society, writes Ralph Atkins.

The Green Party's tax proposals will be unveiled on the eve of the Budget by Ms Sara Parkin, the party's most prominent speaker, as part of the by-election campaign in Mid-Staffordshire. The emphasis is on increasing the incomes of the less well-off and switching spending towards resource conservation rather than consumption.

A carbon tax, averaging 10 per cent of production costs, would be levied on all fossil fuels, varying according to their concentration of carbon and other pollutants such as sulphur. The tax would be raised progressively with the aim of cutting carbon dioxide – the main "greenhouse" gas – by 20 per cent in 10 years.

Revenue raised by the new taxes would compensate for the party's spending proposals which included a 50 per cent increase in child benefit.

Abolition of tax relief on company cars would be offset by a requirement on employers with more than 50 staff to meet half the cost of their employees' season tickets in an effort to encourage the use of public transport. On income taxes, the Green Party proposes raising the basic personal tax allowance, from £2,785 to £4,100, in order to help low income families. Tax rates of 45 per cent on incomes above £18,000 and 55 per cent on incomes above £30,000 would be introduced.

The Greens also propose spending £500m on community childcare facilities. The defence budget would be cut by £3.5bn but £1bn extra would be given to local government as an "emergency cash injection."

Net fall in National Savings

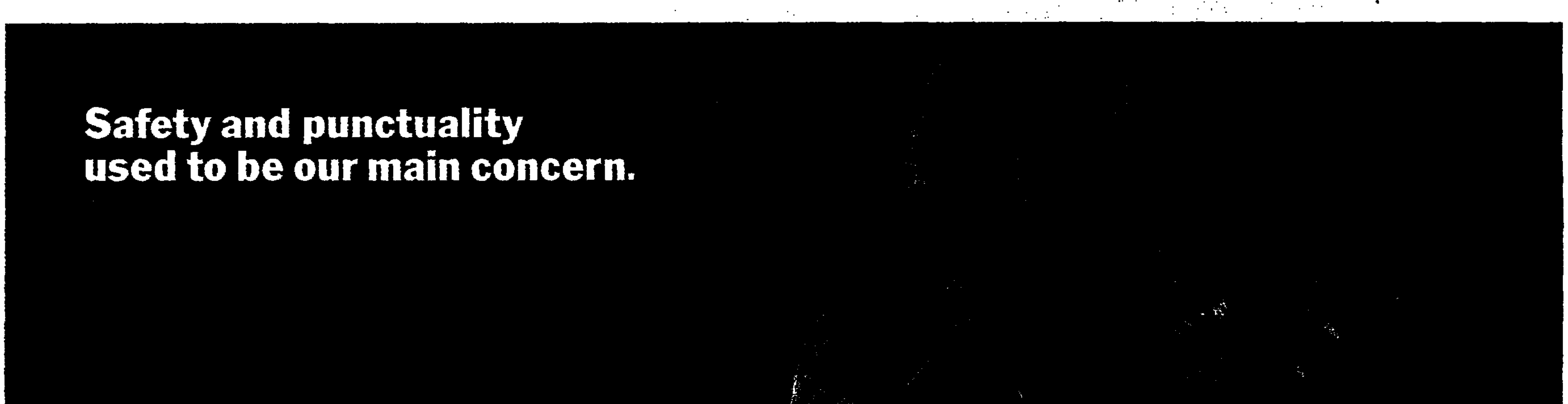
INVESTORS withdrew a net £347m in capital and accrued interest from National Savings last month, writes Richard Waters.

The greatest withdrawals were again from fixed income savings certificates, with a net £375m taken out.

On the other hand, investors put money into income and capital bonds, which together attracted £77m during February.

The repayments of the past year have reduced the amount held in National Savings from £37bn to £35.3bn, even after adding reinvested accrued interest.

The pattern of investment in National Savings has changed markedly. A year ago money invested in its fixed interest certificates accounted for 31 per cent of the total. Income bonds contributed 21 per cent. At the end of February each product represented about 25 per cent of the total.



Safety is as essential for an airline as the trust between two people who want to share their life together. It comes first.

A close second comes punctuality. We know you depend on our departing and landing when we've said we will.

In the 90s, SAS will no longer be just an airline. We're transforming the company into a worldwide travel service team, with strong airline, hotel and restaurant partners around the globe. And we're doing it for you. We're doing it to make travelling less of a bother. The idea is we'll be there, when you need us.

Which doesn't alter the very basis of our existence. Our priorities remain safety, punctuality and service. In that order.

SAS
We'll be there.
Scandinavian Airlines

UK NEWS

Labour takes strong lead in by-election forecasts

By Ralph Atkins

FRAYED nerves among Conservative MPs will be further tested this week by what is forecast to be a decisive win by the Labour Party in the mid-Staffordshire by-election on Thursday.

Opinion polls in Sunday papers gave Labour an overwhelming lead in the constituency where the Conservatives had a majority of 14,654 at the last election. The by-election follows the death of Mr John Heddle.

A Sunday Times opinion poll put Labour's lead in Mid-Staffordshire at 26 percentage points. A survey in the Independent on Sunday gave the opposition a lead of 28 percentage points. A swing of this amount would give the Labour candidate, Mrs Sylvia Heal, a substantial majority. Tomorrow's Budget does not offer the prospect of any quick relief from the Government's present unpopularity. Anxious Tories will be looking instead for Mr John Major, the Chancellor, to set the economy on a path towards lower inflation and interest rates before the next general election.

Mrs Margaret Thatcher, in an interview with the Sunday Express, appeared determined to maintain morale. She urged doubters among Conservative MPs to "keep your nerve" and promised that she would fight "every inch of the way" to stay in power at the next election.

There is concern among party managers about a possible renewed leadership challenge to Mrs Thatcher in the autumn. Senior Tories were yesterday playing down speculation that the decision by the backbench 1922 Committee to review the election process suggested that such a challenge was likely.

The Prime Minister told the Sunday Express she did not believe there were many in her party seeking to replace her as leader, saying: "You get ups and downs in politics . . the overwhelming majority have stayed remarkably steady."

But changes to the process for challenging the party leader are likely by the summer. The aim would be to stop an embarrassing election threat such as that mounted by Sir Anthony Meyer last year. At present a challenge can be made with only a proposer and seconder.

Sir Marcus Fox, vice-chairman of the 1922 Committee, said: "In the country at large there was amazement that a challenge could be based on such flimsy support." But he said changes were being made in consultation with the party and did not assume a challenger was in the offing.

Mr George Younger, the Prime Minister's campaign manager, said: "We have only just got finished with the challenge of last autumn and most people after that thought that was a pointless exercise."

Warning over hopes for Social Charter

By John Gapper, Labour Editor

BRITISH unions may be placing too much hope in the expectation that the European Commission's Social Charter of workers' rights will make up for what they see as inadequacies in British employment law, according to a union-backed study group.

A study of the charter, published by the Institute of Employment Rights, a labour-law think-tank, says it will give British unions no help in pressing recognition claims or enforcing workers' collective rights.

The study, written by Lord Wedderburn, a Labour peer and professor of law at the London School of Economics, follows a change of mood in British unions in favour of the European Community, largely because of the Social Charter.

However, it argues that the action programme, which details how parts of the charter will be implemented, shows that workers' collective rights are to be left to member countries.

Lord Wedderburn says that the hope expressed by Mr Jaques Delors, the EC President, that every worker should have the right to be covered by a collective agreement is a long way from being guaranteed by the charter.

Lord Wedderburn argues that the charter is a "remarkable signpost of social progress" on subjects such as equal treatment for both sexes at work, and vocational training.

The Social Charter, European company and employment rights: an outline agenda; Institute of Employment Rights, 98 St Pancras Way, London NW1 9NZ; £4.

NatWest Bank pays ex-directors £505,000

By Richard Waters

NATIONAL Westminster Bank has paid £505,000 to its three executive directors who resigned last summer after being criticised over their involvement in the controversial Blue Arrow rights issue.

The payments will be revealed in the bank's annual report, published today, which also shows that the board's total pay, including pension contributions, increased by 70 per cent last year to £4.1m.

The bank's pre-tax profits fell by 71 per cent in that period, due to provisions against loans made to developing countries.

The three directors who resigned were Mr Charles Green and Mr Terry Green, the two deputy chief executives, and Mr John Plaistow. They had been reprimanded by Department of Trade and Industry inspectors about their involvement in the bank's disguising from the market of the failure of the Blue Arrow rights issue in 1987.

The affair has resulted in County NatWest, the bank's investment subsidiary, facing criminal charges.

NatWest refused yesterday to disclose how much was paid to each of the three executive directors.

Neither would it explain why it had decided to pay the compensation for loss of office, in view of the public criticisms made of the men and the damage done to the group by the Blue Arrow affair. The affair has already cost it £50m, not including the damage to its goodwill and any possible consequences of the criminal proceedings.

The annual report also shows a sharp increase last year in the remuneration of Lord Boardman, who stepped down as chairman over the Blue Arrow affair, although he had been due to retire anyway to make way for his successor, Lord Alexander.

His remuneration rose at an annualised rate of 73 per cent in the nine months to the end of September, from £178,320 in the whole of the previous year to £231,725 in the nine months.

The bank said part of his remuneration was a payment in recognition of the service he had given during his years as chairman, although it refused to say how much.

Shop violence to be taken up in new forum

By Diane Summers, Labour Staff

THE PROBLEM of violence to shopworkers will be high on the agenda of a new Health and Safety Executive retail forum to be set up soon.

People working in wholesale or retail businesses are vulnerable to violence, threats and theft, Mr Patrick Nicholls, Employment Minister, told retailers meeting recently to discuss the issue of violence to staff.

"Employees can suffer great fear, anxiety and stress from violent incidents. Violence and abuse affect the whole organisation and not just the staff assaulted. Frightened staff don't work as well and it costs money because of absenteeism, higher insurance premiums, compensation payments and cover for staff assaulted," he said.

"There are few figures on violence to shopworkers, although the 1988 British Crime Survey found that workers in general blamed their jobs for a quarter of violent attacks and over a third of all threats. In addition, 14 per cent of workers said they had been verbally abused at least once in the past year.

Mr Doug Russell, health and safety officer of the shopworkers' union USDAW, said the union had recently completed a small-scale survey which would show that verbal abuse and sexual harassment were regularly suffered by shop staff, as well as physical injury when, for example, shoplifters were tackled.

Employers were still seeing violence to staff as a security rather than a health and safety issue. It was important to gather the type of statistics that were available for transport, health and other parts of the public sector, said Mr Russell.

Mr John Burrows, group security adviser for Dixons, the UK electronics retailer,said he suspected that some branches were not reporting incidents because they were so commonplace, particularly in inner city areas. A study of how victims of violence were treated by the company was to be conducted, he added.

Pace of change in work practices slows

By Michael Smith, Labour Correspondent

BRITISH industry is making slower progress in changing working practices than it was in the mid-1980s, according to a study published by Incomes Data Services, the pay research company.

Although work "flexibility" was the buzzword of the 1980s, the major demarcations between different groups of craftsmen and between craft and production workers remain.

More pressing issues, such as inflation and skill shortages, have diverted managers from longer term needs, says the report.

At the same time, union resistance to some management demands has also increased, as reflected in strikes this year at Ford Motor Company, British Aerospace and Birds Eye Wall's.

In spite of this, IDS sees signs of further progress being made.

Companies have a more realistic view of their objectives and are clearer about what can be achieved. They have recognised the importance of respecting "craft attitudes" and are adapting working arrangements to deepen skills.

They are prepared to spend more on training - perhaps two to 3 per cent of payroll - than they were in the mid-1980s.

Employers also take more effort preparing the way for change, so that new working practices, once adopted, are achieving quicker returns.

Problem areas include the status of supervision, which the report says is in flux.

The role of the front line manager often needs to change more than any other single job but companies find it difficult to get employees to adapt. High quality supervisors are hard to find.

"Full flexibility" remains almost entirely confined to greenfield sites where companies are choosy about whom they recruit.

IDS Study 454, Flexibility at Work. Available on subscription from ID, 193, St John Street, London EC1V 4LS.

Budget focuses on inflation

By Peter Norman, Economics Correspondent

MR JOHN MAJOR, the Chancellor, will present a Budget tomorrow intended to reverse the upward trend of inflation so that interest rates can fall substantially next year.

With inflation still rising and the last possible date for the next general election little more than two years away, Mr Major's first Budget presentation will be one of the most difficult for a Chancellor in modern times.

His Budget must be austere enough to satisfy the City of London to prevent a damaging loss of confidence in sterling. At the same time, the Chancellor must try to raise the morale of Conservative MPs and hold out some hope that the Government can win back the confidence of the electorate in its handling of the economy.

Adding to the pressures on Mr Major is the Mid-Staffordshire by-election on Thursday, in which a previously safe Conservative seat is expected to be lost to the Labour party.

Mr Major was putting the finishing touches to his speech yesterday. The fact that this year's Budget will be the first to be televised means that the presentation of the Government's plans will assume a more important role than in the past. Although the Chancellor's instinct is to give priority to solving the problems of the economy, his Budget is expected to produce some vote-catching sweeteners.

Mr Major can be expected to underline the importance of the separation of taxation of husband and wife that will take effect from next month. He may respond to powerful lobbying and announce some tax changes to help working mothers obtain child care facilities.

"Green" issues are expected to bulk large in his speech although there is little that the Chancellor can do to safeguard the environment without international co-operation. However it has been suggested that he might increase taxation of company cars and petrol to raise revenue, pleasing the Green lobby in the process.

The City expects a low-key Budget, according to a survey of City economists published over the weekend by IDEA, the financial information company.

The survey found that analysts on balance expect Mr Major will announce no net change in the overall tax burden. The individual forecasts of the likely fiscal stance differed little, ranging from net tax cuts of £1bn to tax increases of £2bn – small amounts in an economy with a gross domestic product of £509bn.

The City consensus was that the Chancellor would decide against fully indexing the tax-free income tax allowances against inflation. This move would bring in extra revenue but at the cost of increasing the number of people paying income tax. It also would hit the low-paid taxpayer more than the well off.

By contrast, the Chancellor was expected to index excise duties on items such as tobacco, alcohol and petrol, although such a move could add 0.5 percentage points to the retail prices index. In line with other commentators, the City analysts expected income tax rates to stay unchanged at 25 per cent and 40 per cent.

Such a Budget would have little impact on financial markets. According to the IDEA survey, the median expectations was that sterling might gain a pfennig against the D-Mark in the 48 hours following the Budget while prices for long-dated gilt-edged stocks could gain 0.5 points and the FT-SE index of leading British equities, which closed at 2,269.9 on Friday, might rise 20 points.

Yesterday, Mr John Banham, director general of the Confederation of British Industry, said that the priority must be to bring inflation under control, even if it meant raising taxes.

Allo! Je m'abonne

Pour vous abonner par téléphone, contactez John Raley et Ariele Tetlaud à Paris au 42 97 06 23 ou 42 97 06 20

Advertise your house in full colour in the Weekend FT. To find out more, call Carol Haney on 01-873 4657

Financial highlights 1989

Unless otherwise stated, all figures are units of million DKK

ISS Group

	1989	1988
Consolidated turnover	9,003	6,609
Operating profit	339	212
Profit before tax	255	202
Profit after tax and min.	168	136
ISS Shareholders' equity	794	581
Dividend to shareholders	32.1	27.1
Post-tax yield on ISS equity %	24.9	19.5
Earnings per share in DKK	59	50
Number of employees, December 31	111,400	100,100

For the ISS Annual Report please contact +45 31 63 08 11 ext. 6261.

ISS International Service Systems A/S

Kollegievej 6
DK-2920 Charlottenlund
Denmark
Phone: +45 31 63 08 11

Incorporated in Denmark
Registration No. 37.702

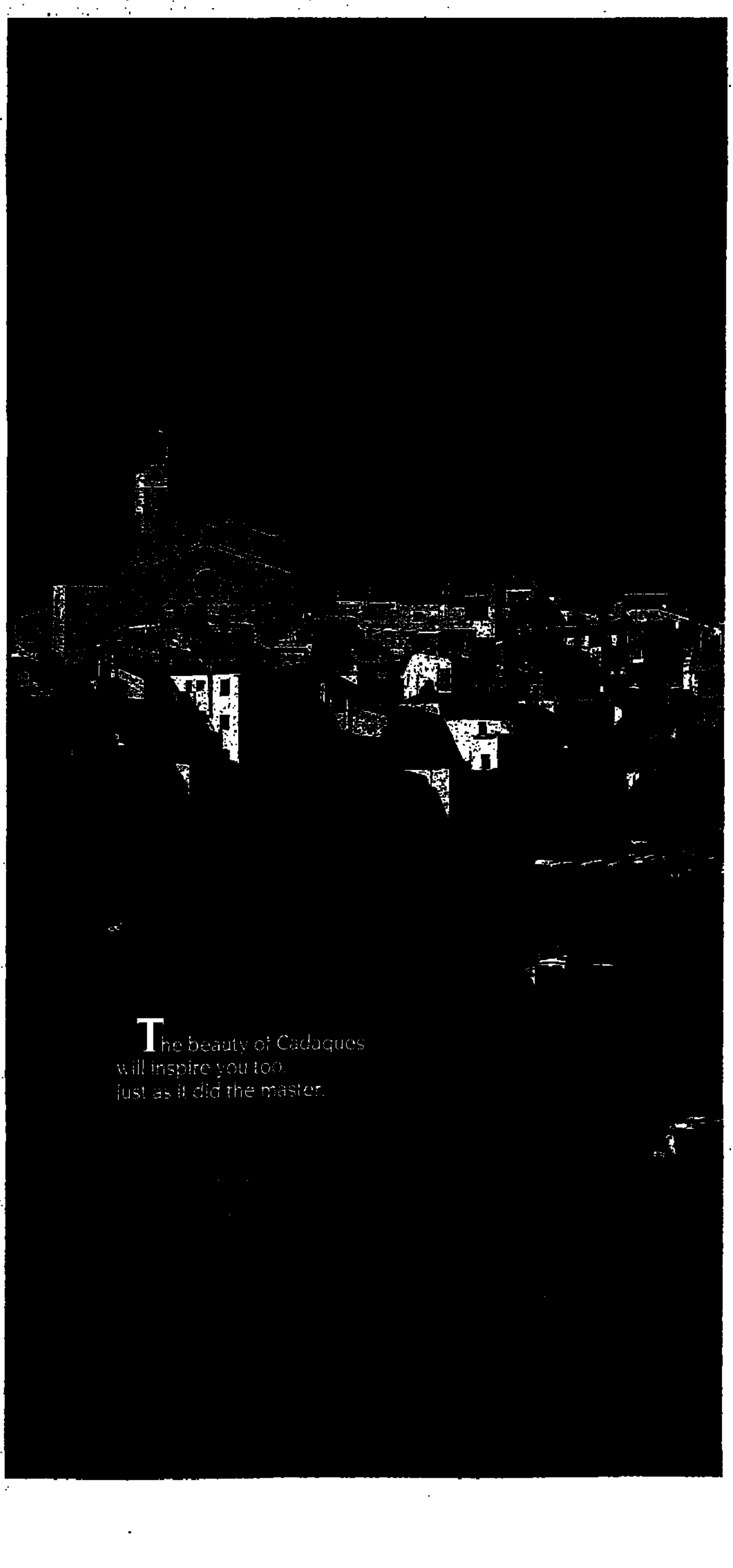
PRIVATE INVESTORS

As the boundaries between the Banks, Building Societies and Stockbrokers become ever more blurred you need to find a long established firm of Professional Stockbrokers, where the courtesy and service is in the "Old City" tradition but where the dealing and accounting systems make use of the latest electronic equipment and where there are no fees other than a fixed scale of dealing charges.

For further information please write or telephone:

Dougal Fox Limited
114 London Road
Holybourne
Alton
Hants GU34 4EW

Tel: 0420 80604



An enchanting place to Dali.

Dali found the village of Cadaques so enchanting he chose to make his home there.

You too will find it an exquisite place to dally.

And like him you will be spoiled for choice.

In the north, for example there is Guetaria, Zarauz, Comillas and Luarca. On the Atlantic side Betanzos and Cambados. Along the Mediterranean coast you will find Sitges and Mojacar. While the Balearic Islands offer the attractions of Pollensa and Ciudadela.

And these are just some of the many fishing villages which Spain has to offer—catering for every taste and every mood.

In just a few metres the bustle of street cafes is contrasted by the solitude of peaceful coves. In every fishing village you will find the amazing seafood restaurants for which Spain is famous.

Like Dali, you won't want to tear yourself away.

Spain. Everything under the sun.

ESPAÑA

MANAGEMENT

UK mechanical engineering

How Weir blew fresh air into Hopkinsons

Nick Garnett assesses a rejuvenating takeover of the valve maker

In the summer of last year, a small tragedy in Britain's mechanical engineering industry was avoided by the narrowest squeak.

Hopkinsons, the UK's biggest manufacturer of specialist valves, was about to go down the plug-hole after 145 years as a flag-bearer of British engineering.

Wracked by union disputes and apparently trapped in a culture that was taking Hopkinsons nowhere but down, the company's holding group had issued a 90-day notice of closure on the sprawling 19 acre site on the edge of Huddersfield, West Yorkshire.

Other engineering companies wondered how a profitable business making valves for industry and power generation, with some of the world's best valve technology and which had seemed reasonably healthy a few years earlier, could now find itself in the soup.

After making a double digit return on annual sales of more than £20m through the 1980s, it had slid into loss in 1988. Relations between management and unions had deteriorated to such a low ebb that by the middle of last year the design staff in the drawing office had been on strike for more than two months and a six-month overtime ban had been in place on the shopfloor.

The disputes were both about pay and the dismissal of two crane drivers. Such strikes were not new at Hopkinsons – which makes a range of valves priced from £30 to £150,000 and up to 11 tonnes in weight. A 16-week strike over pensions had shut the plant in 1980 and the odd skirmish and lock-out had peppered the intervening years.

Into this unpromising setting, Weir, the Glasgow pump and ancillary equipment maker, stepped and acquired the company from the parent, Hopkinsons Holdings, for £10m.

Weir shared many of the same customers as Hopkinsons, has worked with the Yorkshire company on a number of industrial projects and believed there was a lot worth saving.

Soon after Weir purchased Hopkinsons in June, 100 jobs were shed from the workforce of 900, the dismissal of the site convenor – with a pay-off of £31,000 – was confirmed and a 10 per cent pay increase imposed.

The strike ended and the bonus scheme – which had become increasingly abused over many years – was frozen pending a complete revamp. New managers in key functions such as personnel and production were brought in from other parts of Weir and a start made on redesigning the shopfloor to improve work flow. Hopkinsons is now back in the black and is looking to make a pre-tax profit of £3m during 1990 on turnover up by a fifth at £28m.

It has not been a dramatic story over the past nine months. But what has happened at Hopkinsons indicates some of the things a company can do when it moves into a business where management/employee relations have become arthritic and growth prospects stifled.

"There was something badly wrong with the company," says Bill McLean, the man Weir brought in from within its own management to be Hopkinsons' managing director and chairman.

Hopkinsons is steeped in old-fashioned tradition. The stern stone-faced walls of the front of the factory house a reception area in dreary green and brown right out of the 1920s. A separate lodge house with oak panelling and snooker room was used by managers for eating and entertaining.

Weir's headquarters in the Cathcart district of Glasgow is not unlike this. But unlike Hopkinsons, the Scottish company has a reputation for hard-headed management of its assets as well as a developer of businesses. In the past two years Weir has successfully taken over the Mather & Platt pump-making company, and Neyrfor, a French drilling service company.

The company's toughness is exemplified by McLean, a former car industry shop steward and personnel director at Leyland Cars before joining Weir in 1980. Then the group, having lost £8m the previous year, was on its knees and McLean was instrumental in starting a brutal but probably necessary exercise in reducing by a third the then Weir workforce of 9,000.

The problem at Hopkinsons was not as severe. "We knew the company had excellent engineering and products," says McLean. "The first priority was to bring our own people in, to cut costs and then to improve delivery times and get back into profitability. Hopkinsons had been turning away work during the 90-day period. We got to the company just in time because customers were getting annoyed and credibility had gone down fast.

"There was a lot of relief among customers when we took over but that evaporated soon and they simply wanted the stuff they had ordered as fast as they could get it. The quality of the product is what saved the company, quite frankly. People had been prepared to wait for a Hopkinsons valve."

McLean testifies to attempts by previous managers at Hopkinsons to change the company. It went through several managing directors through the 1980s. Some modern production equipment was introduced.

But the previous management, notorious for being uncommunicative with "outsiders" like the Press, found it impossible to break a culture it had been instrumental in fostering. A new parent could do what the old parent – which, as Hopkinsons Holdings, remains a completely separate quoted engineering company – could not do.

One of the first things that happened in the "Weirisation" of Hopkinsons was to scrap the so-called Green Book on union management negotiating procedures. "That was a set of rules to stop you managing," McLean says. Then Hopkinsons' union/management negotiating structure, in which foremen with disciplinary duties negotiated working practices in the same group as the people they were supervising, was broken up.

The bonus system was frozen and is due to be revamped on traditional principles of measured day working. "The old system was just fraud," says Jim Livingstone, the production director brought in from another part of Weir. When output slipped by up to 30 per cent during late 1988 and early 1989, bonus payments remained unaffected. "It had become barstardised," concedes Colin Somers, the new convenor.

Along with reviewing all manufacturing practices, Weir is reorganising production. Hopkinsons has a typical old-fashioned set of mechanical engineering factories, the type many West German and Swiss companies have never had since the 1940s. Weir appears to have no plans to rebuild these but has embarked on a more modest reorganisation, linked to the introduction of £1m of new production machinery.

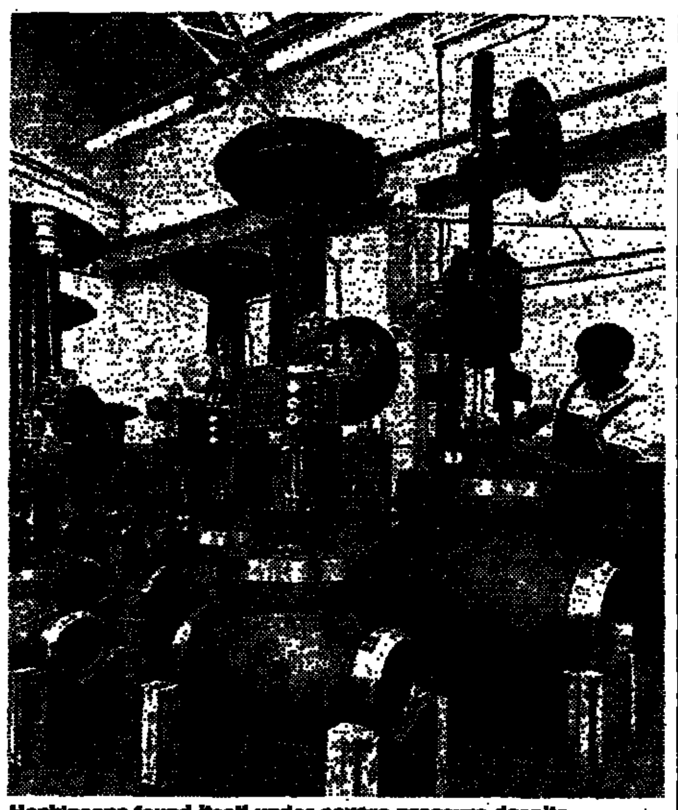
Livingstone says the computer control system used by Hopkinsons resulted in double ordering of components without knowing it. Weir acknowledges, though, that it has a lot to learn about valve making. Livingstone has been looking to find a valve company with modern manufacturing techniques and with production systems from which he can learn.

The workforce seems pleased that Weir has taken over but there is still a lot of caution and some suspicion. "Some things have improved a lot but Weir has a reputation for being tough," says Somers.

McLean acknowledges that it would do Hopkinsons a lot of good to see a full-blown power station building programme in the UK. The company is supplying valves for the Sizewell B nuclear station but the lack of new power station orders has harmed the Huddersfield company.

That might be one reason why Weir is looking to introduce a new range of valves for the oil industry, a sector in which Hopkinsons has virtually no presence.

Hopkinsons has some tough competitors like Semple in West Germany, Vlan in Canada and Dresser's Dewrance division in the UK. But McLean is optimistic about Hopkinsons' future. "We are quite confident we can grow this business," he says.



Hopkinsons found itself under severe pressure despite having some of the world's best valve technology

Opening up eastern Europe

Teaching potential capitalists

David Goodhart on Deutschebank at the Leipzig Fair

Will there be a second German economic miracle? Optimists can certainly take heart from the scenes of pandemonium at the Deutschebank (DB) stand at last week's Leipzig Fair, East Germany's largest trade fair.

East Germany's future entrepreneurs were elbowing each other out of the way for a chance to grab a few words with one of the Frankfurt bankers. They were not being offered loans, as lending by foreign banks is still illegal (although most big West German banks are already established and poised to pour in capital the moment they can). But they were being offered plenty of advice on how to become capitalists.

Leading the DB's East German initiative is DGM, its consulting subsidiary for small- and medium-sized business. It is by no means the only West German consultancy acting in the other Germany – Kienbaum, Trebag and several smaller firms are also there – but DGM probably has the biggest presence.

According to Peter von Windau, boss of DGM, he now has about 40 consulting contracts in East Germany valued together at about DM2m, with a further 100 possibles. They range from advising the giant Kombinate corporations on how to break themselves up, to basic seminars on the mechanics of markets, corporate organisation, accounting and marketing for small business.

In Leipzig, such seminars, which attracted hundreds of people, were free. The proper contracts will be paid for and at roughly the full market price, says von Windau. DGM is thus taking a more hard-nosed attitude than its parent bank, which seems ready to lose millions of deutschemarks in the interests of helping the East German economy and ensuring itself a commanding share of future business.

Von Windau is characteristically optimistic about the chances for East German business, but he does accept there is enormous ignorance about business basics to overcome. For Western consultants, he says, there are two special problems: first, it is more difficult to read the signs, to tell whether a potential client is worth pursuing or not; second, even West Germans find East Germany like a foreign country in which to operate.

But, as a West German consultant, he does have the advantage of being able to bring together potential German partners. For example, Klaus Schierz, boss of the small glass fibre firm, Asglawo, and a founder-member of the East German Employers' Federation, has just won his independence from the Flachglas Kombinat and has already begun doing business with two of DGM's West German customers.

Von Windau also sees it as part of his role to advise East German companies against some of the offers that are being showered on them from West Germany. "There are quite a few West Germans that are offering very unfavourable deals which, if accepted, could stifle enterprise, not encourage it," he says. He advises East German companies to understand themselves first, then improve their operations, and only then do deals.

He urges West German business to be as sensitive as possible with potential East German partners. "It is no good turning up in your limousine promising lots of business and then getting cold feet," he says.

Danish designs on the Soviet Union

Other consultants are moving in, too. One of the first Western management consultancies to penetrate the Soviet Union was TMI, a Danish company now operating in 36 countries. TMI became involved in training Soviet managers at the beginning of perestroika, running courses in 1985 for Foreign Trade Ministry officials.

TMI's psychology-based programme of "putting people first", which aims to improve the way people relate to each other, has been used to train many employees, including those of British Airways, but Soviets, used to state cushioning, presented a new challenge.

However, they were conscious of their need and Goran Kindwall, a director of TMI, says: "We found they were motivated by much less then their Western counterparts."

Initially, TMI ran the courses free or highly subsidised; Soviets used to paying for goods rather than ideas were reluctant to part with precious hard currency to buy philosophy.

But when the law was changed, and companies were able to work more freely, managers found they did not know how to use their new-found autonomy. Numbers attending TMI seminars jumped from 360 in 1987 to 5,860 last year.

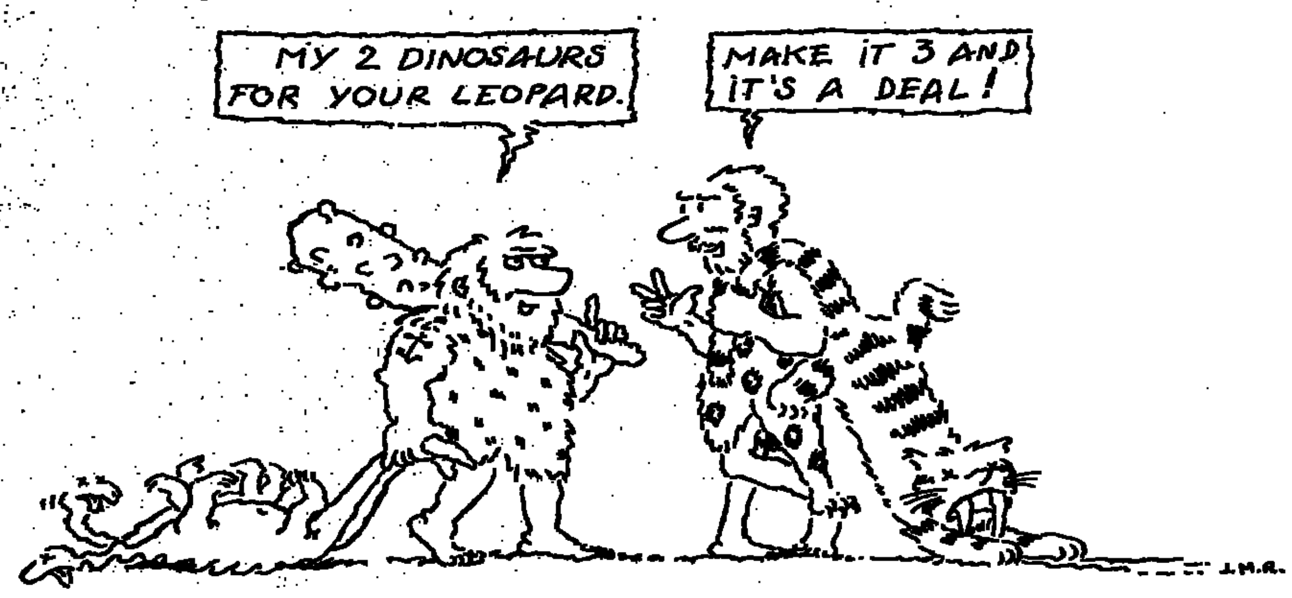
TMI's Soviet representative, Gennadi Ozerov explains: "Managers did not know how to inspire people to work. There had never been any incentive for people to do their best, in improving quality or developing new products. Targets were unrealistic and figures were often made up. It was like a huge machine working with no foreseeable results. They did not know how to set achievable goals or how to define the tasks needed to reach them."

TMI seminars are held for several layers of management. "Champions" are created to return to the company and "spread the word," showing the best way to motivate people and define tasks needed to meet targets. Businessmen are not the only participants. Politicians are also discovering the need to motivate. The Council of Economic Reform has attended seminars and expressed interest in more training.

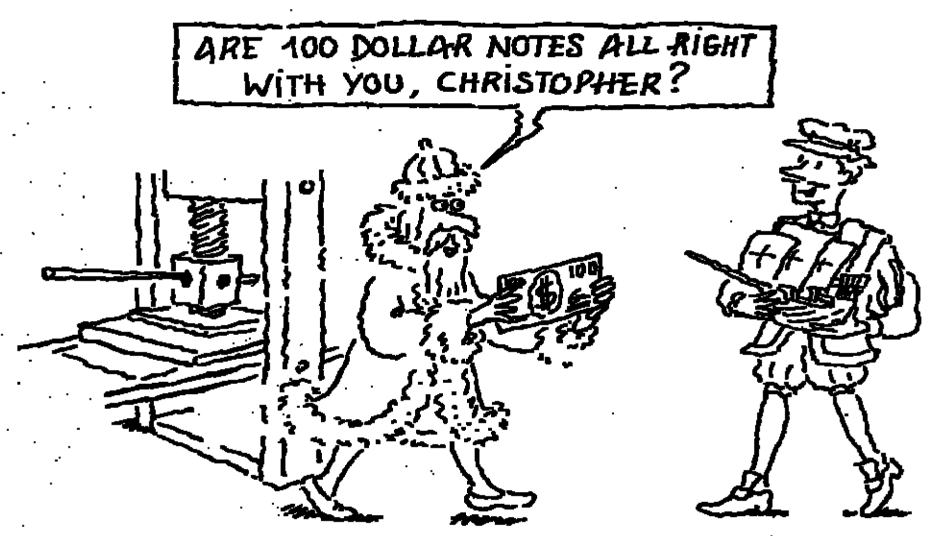
A problem TMI encountered was the top-heavy management structure. According to Ozerov an average automobile plant employing 5,000 people would have 100 top level managers and 500 middle management. The need to be competitive is forcing them to see the necessity of cutting back. "Once our companies become self-accounting they realise they must be more effective or go bankrupt. For the first time they are having to fight for their position."

Christina Lamb

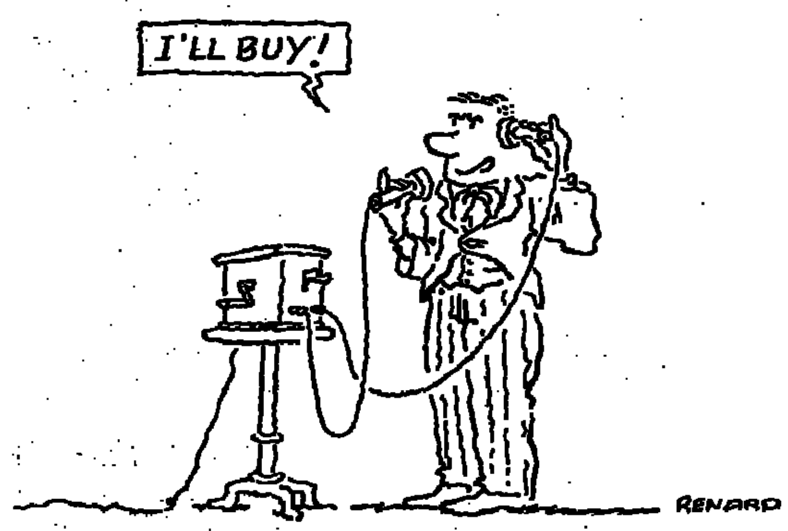
Communication has been an essential part of business for 60 million years.



40,000 B.C. Homo Sapiens invented the spoken word.



1434. Gutenberg invented the printing press.



1876. The telephone was invented.

Hall & Tawse
Group Limited
CONSTRUCTION
DESIGN AND BUILD
SPECIALIST WORKS

CONSTRUCTION CONTRACTS

M4 motorway project

COSTAIN CIVIL ENGINEERING, a subsidiary of Costain Group, has been awarded a £31m contract by the Welsh Office to build the Earlswood to Lon Las section of the London-South Wales M4 motorway.

The 4.3km of flexible-pavement motorway will consist of dual two-lane motorway, with 0.5km of dual three-lane motorway. Extensive traffic management schemes will be necessary during construction as the major part of the motorway, about 3km, and 0.5km of slip road, is to be built on the heavily-used A48(T) road.

The contract calls for the construction of four bridges and the reconstruction of three existing bridges, the largest being a 201 metre, eight-span, motorway viaduct over the stream, Red Jacket Pill. Built with a slab construction deck it will be supported by circular columns on piled foundations.

A 145 metre single-span concrete portal underbridge will carry the motorway over the main London-Swansea railway line.

The other bridges include the 52 metre span Red Jacket Pill slip road bridge and a 27 metre span cycle track and footway bridge to cross the railway line at Llandarcy.

The Tennant Canal viaduct crossing the two railway lines and the canal is to be redecked and widened. Demolition and reconstruction work is also necessary on the 35 metre span overbridge at Crymlyn Road, west of Llandarcy, and to a three-span steel girder bridge over a further railway at Llandarcy.

Earthworks include extensive rock cutting up to 30 metres deep, and involves about 345,000 cu metres of excavation and the placing of about 622,000 cu metres of fill.

The motorway is scheduled for completion in March 1993. Engineers for the project are Sir Owen Williams & Partners, under the direction of the Welsh Office.

Alleviating traffic congestion

FAIRCLOUGH CIVIL ENGINEERING has secured the £18.75m contract for the A523 Macclesfield relief road. The scheme entails the construction of about 5.2km of new single and dual carriageway with four roundabout intersections and three signal controlled junctions on a route to the north and east of the town centre.

The project also includes the construction of two viaducts, a bridge over the Manchester-Crewe rail line, and 1,000 metres of retaining wall within a very restricted urban area. The structural work involves considerable bored piling works, including secant piling to retaining walls, which will be carried out by Fairclough Piling and Marine. Some 250,000 cu metres of material will be excavated and 150,000 cu metres of earthworks fill imported during the two-year project.

Alfred McAlpine to manage £38m town centre development

ALFRED McALPINE MANAGEMENT has been appointed as construction manager by The Standard Life Assurance Company to complete its £38m town centre retail development scheme at Boscombe in Bournemouth, Dorset. The development, which is about 50 per cent complete, had hitherto been progressed under a JCT 80 type contract with J M Jones Construction, a company which recently passed into administrative receivership.

The retail scheme provides a 55,000 sq ft superstore for Safeway, an extension to the Boots and Co-operative retail stores, 30 shop units and a 625 space multi-storey car park, and has a glazed atrium feature.

Alfred McAlpine Management has already mobilised to undertake remedial work on the temporary support structures which have suffered recent storm damage, and has made a total safety appraisal of the site. One of the first priorities *will be to make watertight* those parts of the site which are not so already.

The four-level, multi-storey car park has been completed and about 75 per cent of the centre's superstructure is in place. The brickwork is about half complete and there has been a limited start on the building services.

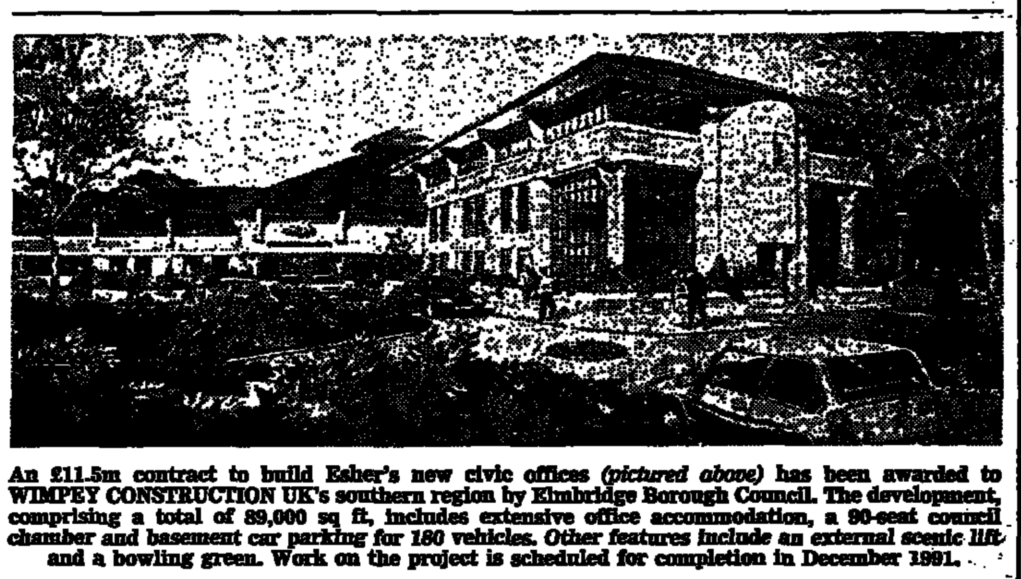
The client's development managers are Barwick Property Consultants; the project architects are Leslie Jones and the quantity surveyors are F.C. Denley King & Partners.

Cardiff hotel

TERN CONSTRUCTION GROUP has been awarded contracts in Wales, the South and South West totalling £16.3m. Work has started on a £10m design and build contract for a 135-bedroom four-star Copthorne hotel at Culverhouse Cross, Cardiff.

Awards in the South East include a £1.75m BMW service and parts complex in Cobham, Surrey, for William Jacks; a £1.4m Texas superstore at Strood in Kent for Mercury Property Fund and a £600,000 business units centre at St Paul's Cray for Asset Corporation.

British Aerospace has appointed the company as main contractor for a £550,000 wind tunnel extension at Filton in Bristol.



An £11.5m contract to build Esher's new civic offices (*pictured above*) has been awarded to WIMPEY CONSTRUCTION UK's southern region by Elmbridge Borough Council. The development, comprising a total of 89,000 sq ft, includes extensive office accommodation, a 90-seat council chamber and basement car parking for 180 vehicles. *Other features include an external scenic lift* and a bowling green. Work on the project is scheduled for completion in December 1991.

LEGAL COLUMN

US Supreme Court may curb lawyers' freedom to advertise

By Pratrap Chatterjee

A YEAR AGO if you were charged with a felony in Houston, Texas, the chances were that you would get a letter in the post from a local lawyer offering to represent you. In Ohio the lawyer might come in person.

US lawyers have had the right to solicit clients by mail for two years and to advertise for over a decade. But local regulators and some lawyers' groups are now stepping up their efforts to restrict the flood of advertising, arguing that self-proclaimed expertise could mislead consumers.

On the other side of this tug of war are lawyers who claim that advertising, solicitation and descriptions of services or expertise are an important part of their right to free speech under the First Amendment. Backing them up are consumer advocacy groups which argue that properly regulated advertisements benefit the person in the street.

In the next few months the US Supreme Court will rule on the right of Mr Gary Peel, an Illinois lawyer, to use the statement "certified trial specialist by the National Board of Trial Advocacy" on his letterhead.

Mr Peel was prohibited from using such a statement by the state of Illinois disciplinary commission whose rules prohibit lawyers from calling themselves specialists or holding themselves out to be certified.

At hearings last month, the commission argued that the statement was commercial speech and therefore subject to regulation. They noted that in Illinois the state supreme court alone had the authority to set qualifications and therefore people would be led to believe that his certification was sanctioned by the court.

Mr Peel's lawyer, Mr Bruce Ennis, a partner in Jenner & Block, claimed that the letter-head was not commercial speech because it was only used in correspondence to existing clients. Even if the letterhead was considered commercial speech, he argued, the ban was beyond the scope of permitted regulation.

Mr Ennis also pointed out that the National Board's certification was quite rigorous, requiring the lawyer to have spent at least 30 per cent of his or her chargeable hours in the five years prior to certification working in trial advocacy, been lead counsel in at least 15

The arguments presented will not sound unfamiliar to English solicitors

completed civil trials and 40 others, appear at a day-long examination and get six recommendations of which at least three must be from judges.

The Board, which is a private organisation, has certified over a thousand practitioners in every US state since its creation in 1977.

"It does provide meaningful association that's not at all bogus. It is also expressly approved of in states like Alabama, Connecticut, Georgia and Minnesota," said Mr Ennis.

Mr Ennis was backed by the Federal Trade Commission, a government agency which investigates violations of free competition, and the Public Citizen Litigation Group, a Washington DC consumer rights lobbyist.

The arguments will not sound unfamiliar to English solicitors who have recently been asked for their comments on the Law Society's proposals to remove the remaining barriers to solicitor advertising and in particular whether solicitors should be allowed simply to claim specialisations where justified or whether claims to special expertise should be allowed only from solicitors who are members of Law Society specialist panels.

The society's new rules propose to allow advertisements to criticise other solicitors' services, refer to success rates, name clients and claim to be experts on the basis of experience alone.

The precedents for the US Supreme Court decision, which could be issued any time between May and July, appear to favour Mr Peel. In 1977 the Supreme Court ruled in favour of an Arizona lawyer who published the prices he charged for services such as divorce.

In 1982 the court ruled in favour of a Mississippi attorney whose advertisements named his areas of expertise and the jurisdiction of his practice while in 1988 it allowed a Kentucky lawyer to mail solicitations to people whose properties were being foreclosed.

The only case where the court has gone against allowing lawyers to advertise was in Ohio, where it prohibited lawyers from making in person solicitations on the basis that while an advertisement or letter can be produced in evidence against any false claims of expertise the spoken word may not be so recorded.

But all these cases went to court as a result of state bans and the bans have certainly not stopped coming. Last year the city of Houston barred attorneys from buying a list of criminal defendants from the city clerk and then sending them letters offering discount services.

Local attorneys claim that this violates the state Open Records Act, but the state says that the judiciary is exempt. The matter is now in a county court.

Mr David McCormack, a Houston attorney, says most of his practice was built up through mail solicitation. "So long as we tell the truth we should have every right to look for clients and solicit them," he comments.

The state of Iowa has virtually barred all television advertising. Eight months ago, it forced lawyers to include a disclaimer on all advertisements stating that choosing a lawyer or legal services "are extremely important decisions and should not be based solely upon advertisements or self-proclaimed advertisements."

Advertisements have to be cleared by the Iowa State Bar Association, which expects to be informed of how the solicitor determined that the target client needed a lawyer.

Most recently, local lawyers have been taking up the cudgel in such states as Alabama, Arizona and Indiana where a

Advertisement growth rate in the first six months of 1989 was three times the average

group of 100 lawyers has sponsored billboard, radio and television advertisements which urge consumers not to select lawyers based simply on an advertisement.

Mr Burton Kinerk, a lawyer active in the campaign, said: "We're trying to tell people that the lawyer they're looking for isn't on television."

But the evidence is that lawyers are advertising at rapidly growing rates. The Television Bureau of Advertising estimated that lawyers spent 22 per cent more — $89.8m — in the first six months of 1989 than they did over the same period a year ago.

Although that placed them 20th among 25 industries, their advertisement growth rate was three times the average.

And in California last year a competition for the best advertisement drew more than a 100 entries that ranged from T-shirts to board games.

When you buy a packet of cigarettes in the US, you get a free folder of matches that has either an advertisement for telephone sex or a lawyer offering to represent accident victims for a share in the damages (you even get a freephone number to dial and there is no fee if you lose).

There seems little chance that those advertisements will change but perhaps states will be able to ensure that lawyers are less gung ho.

The author is a freelance journalist based in New York.

BUSINESS SOFTWARE
Software packages are bought by businesses. The FT caters for businesses.
Advertise your package in the WEEKEND FT every Saturday
Telephone Richard Jones on 01-873 3460/01-407 5764 for information.

DIARY DATES

PARLIAMENTARY

Today

Commons: War Crimes Bill, second reading.
Motion on the Rate Support Grant (Scotland) Order.
Lords: Greenwich Hospital Bill, third reading.
Education (Student Loans) Bill, committee.
Motion on Northern Ireland (Emergency and Prevention of Terrorism Provisions) Continuance Order.

Tomorrow

Commons: Budget statement.
Opposed private business from 7 p.m.
Lords: Human Fertilisation and Embryology Bill, third reading.
Law Reform (Miscellaneous Provisions) (Scotland) Bill, committee.
Select committee: Procedure: subject, working of the select committee system. Witness: Mr John Bourn, Comptroller and Auditor General. (Room 16, 11.30 a.m.)

Wednesday

Commons: Continuation of the Budget debate.
Lords: Debate on "Political and economic developments in Eastern Europe and the Soviet Union."
Heathrow Express Railway Bill, third reading.
Select committees: Environment: subject, beach pollution. Witnesses: *officials* from the Department of the Environment and Department of Agriculture, Fisheries and Food. (Room 15, 10.30 a.m.)
Agriculture: subject, fish farming. Witnesses: Scottish Office ministers. (Room 6, 10.45 a.m.)
Defence: subject, Trident programme. Witnesses: MoD officials. (Room 16, 10.50 a.m.)
Energy: subject, cost of nuclear power. Witnesses: UBS Phillips and Drew and Mr Gordon MacKerron of the Science Policy Research Unit, Sussex University. (Room 8, 11 a.m.)
Employment: subject, tourism. Witness: British Hotels, Restaurants and Caterers Association. (Room 18, 4.25 p.m.)
Home Affairs: subject, Crown Prosecution Service. Witness: Sir Patrick Mayhew, Attorney General. (Room 15, 4.15 p.m.)
Social Services: subject, The "conscience clause" of the Abortion Act, 1967. Witnesses: Mr John McGarry, Mr David Paintin, Mrs Wendy Savage, Dr Naomi Bankole, Mr Jonathan Brooks, Mr John Kelly, and Dr Adrian Rogers. (Room 6, 4.25 p.m.)
Committee on a private bill: King's Cross Railways Bill. (Grand Committee Room, Westminster Hall, 10.30 a.m.)

Thursday

Commons: continuation of Budget debate.
Lords: Gaming (Amendment) Bill, report.
Pensions (Miscellaneous Provisions) Bill, report.
Landlord and Tenant (Licensed Premises Bill), second reading.
Debate on the select committee report on overseas aid.
Chlorofluorocarbons Control Bill, third reading.
Question to Government on help for South Africa.
Committee on a private bill: King's Cross Railways Bill. (Grand Committee Room, Westminster Hall, 10.30 a.m.)

Friday

Commons: Private members' motions.
Lords: European Parliament Electoral Reform Bill, second reading.
Motion asking that the Firearms (Variation of Fees) Order be annulled.
Motion for approval on the Town and Country Planning (Compensation for Restrictions of Mineral Workings) (Amendment) Regulations.

FINANCIAL

TODAY
COMPANY MEETINGS-
Electronic Data Processing, Tapton Masonic Hall, Sheffield, 12.00
BOARD MEETINGS-
Finals;
Acorn Computer
Apricot Computers
Booker
CIA
Canning (W.)
Carbo
Colorgraphic
Edinburgh Oil & Gas
Evans Halshaw
Fisher (James)
Hickson Intl.
Linread
Metalrax
RPS
Refuge
Rugby
Scott & Robertson
Sheffield Insulations
Trinity Intl.
Tyne Tees TV
Turriff Corp.
Wassall
Interims;
Alba
Benchmark
IMI
Scholes
DIVIDEND & INTEREST PAYMENTS-
Christiania Bank OG Kreditkasse Sub Fltg Rate Nts 1991 $411.46
Do. Reverse Fltg Rate Nts 1997 $907.43
Johannesburg Cons. Inv. 42cts
Leeds Permanent Building Society 6⅜% Nts 1993 3³⁄₁₆pc
Do. Fltg Rate Nts 1995 £390.21
Oil & Natural Gas Commission $458.16
Ransomes 5½% Prf 1.925p
TOMORROW
COMPANY MEETINGS-
Everards Brewery, Castle Acres, Leicester, 12.15
Heavitree Brewery, Trood La, Matford, Exeter, 11.30
BOARD MEETINGS-
Finals;
ASEA
BSG Intl.
Cambridge Electronic Inds.
Ferrum Hldgs.
Geest
Kerry
New Guernsey Securities Trust
River & Mercantile Amer. Cap. & Inc. Tst.
Standard Chartered
Interims;
HTV
LASMO Oil Production Stock
Molyneux Estates
DIVIDEND & INTEREST PAYMENTS-
Bank fur Arbeit und Wirtschaft AG Sub Fltg Nts 1980 $455.64
Fleming Overseas Inv. Tst 1.5p
Heavitree Brewery 17.25p
Do. "A" Lim Vtg 17.25p
Inco 25cts
Korea Exchange Bank Fltg Rate Nts 1995 £189.55
M. & G. Intl. Growth 0.3125p
McKay Securities 2.8p
Marine Midland Banks $220.31
Midland Bank Und Fltg Rate Prim Cap Nts $455.64
Riggs National $221.67
WEDNESDAY MARCH 21
COMPANY MEETINGS-
Hewlin, Pembroke Hotel, Promenade, Blackpool, 11.00
Rights & Issues Investment Trust, 66 Wilson Street, E.C., 12.00
Union Discount Co. of London, 39 Cornhill, E.C., 12.00
Witan Investment, 3 Finsbury Avenue, E.C., 12.30
BOARD MEETINGS-
Finals;
BAT Industries
Bowthorpe Hldgs.
Bredero Properties
Britannic Assurance
British Mohair Hldgs.
Johnson Group Cleaners
Laporte
Law Debenture
Matthews (Bernard)
Memec
RTZ Corp.
Sharpe & Fisher
Tibbett & Britten
Tullow Oil
UK Paper
World of Leather
DIVIDEND & INTEREST PAYMENTS-
Leeds Permanent Building Society Sub Var Rate Nts £379.11
Do. Sen Var Rate Nts 1994 $375.41
Leumi International $46.88
Marine Midland Bank NA $217.19
THURSDAY MARCH 22
COMPANY MEETINGS-
Domino Printing Sciences, Trafalgar Way, Barr Hill, Cambridge, 11.00
Goring Kerr, Essex Hall, Essex Street, W., 10.00
BOARD MEETINGS-
Finals;
BNB Resources
Beauford
Clyde Petroleum
Cookson
Croda Intl.
Garton Engineering
Guinness
Hepworth
Isle of Man Steam Packet
Johnston Press
Laing (John)
Molins
Morrison (Wm.) Supermarkets
Mount Charlotte Invs.
Nestor-BNA
Rentokil
Rutland Trust
Smith & Nephew
Spring Ram Corp.
Steel Burrill Jones
Tyndall Hldgs.
Wilson Bowden
Interims-
Caird
Maunders (John)
PFG Hodgson Kenyon Intl.
Pressac
Process Systems
Savage
DIVIDEND & INTEREST PAYMENTS-
Alcan Aluminium 28cts
BHH 8% Bds 1998 4pc
Exchequer 11% 1991 5½pc
Govett Far East Invs 0.0025cts
Halliburton 25cts
Pfizer 60cts
Torex Hire 1.8p
Union Discount Co. of London 21.5p
FRIDAY MARCH 23
COMPANY MEETINGS-
Blick, Howard Hotel, Strand, W., 12.00
Cranbrock Electronic, Painters Hall, Trinity Lane, E.C., 10.00
BOARD MEETINGS-
Finals;
Ayrshire Metal Products
Firstland Oil & Gas
Halls Homes & Gardens
Ingham (George)
McLaughlin & Harvey
Macallan-Glenlivet
Pacific Assets Trust
Panfida
Tronoh Mines Malaysia Berhad
Interims;
Baillie Gifford Japan Trust
DIVIDEND & INTEREST PAYMENTS-
American Intl. 12cts
Colorvision 2.95p
Dudley Jenkins 1.2p
Dunton 0.45p
Essex Water 3.5% New Ord 1.75p
Do. 3.5% Cons Ord 1.75p
European Inv. Bank 11% Ln 2002 5.5pc
Genbel Invs. 120cts
Honda Motor 4⅜% Bds 1998 2³⁄₁₆pc
Oxford Instruments 1.2p
State Bank of New South Wales 6¼% Nts 1993 3⅛pc
Union Square 0.4p
Warner Estate 5p
Wilding Office Equipment 2.4p
Yorkshire TV 8p
SATURDAY MARCH 24
DIVIDEND & INTEREST PAYMENTS-
Asian Development Bank 10¼% Ln *2009 5⅛pc*
Greenall Whitley 10% Deb 2014 5pc
Mid-Southern Water 3.5% Cons Ord 1.75p
Renold 8% 1st Deb 4pc
Sidlaw 7½% Uns Ln 2003 3¾pc
Spain (Kingdom of) 11¾% Ln 2010 5⅞pc
SUNDAY MARCH 25
DIVIDEND & INTEREST PAYMENTS-
Associated British Foods 5½% Uns Ln 87/2002 2¾pc
Do. 7½% Uns Ln 87/2002 3¾pc
Centrovincial Ests. 6¼% Uns Ln 88/93 3⅛pc
Chapman Inds. 8½% 1st Mtg Deb 93/98 4¼pc
Charlwood Alliance 7½% Uns Ln 3¾pc
Hanson 10% Cnv Uns Ln 2007/12 5pc
Lonrho 9% 2nd Mtg Deb 87/92 4½pc
Manchester Corp 3% Cons 1928 1½pc
Mid-Sussex Water 3.325% Irrd Prf 1.6625p
Tendring Hundred Waterworks 4½% Deb 2¼pc
Do. 7½% Deb 91/93 3¾pc
Trafalgar House 8% Uns Ln 94/99 4pc
Do. 9½% Uns Ln 2000/05 4¾pc

PIONEER ELECTRONIC CORPORATION

Notice is hereby given to holders of CDR's issued by Caribbean Depositary Co., N.V. Curaçao, evidencing shares in the above company that the "Third quarter report 1990" of Pioneer Electronic Corporation may be obtained from

N.V. Nederlandsch Administratie- en Trustkantoor
N.Z. Voorburgwal 326-328
1012 RW Amsterdam

and

The Bank of Tokyo Ltd.
established in Tokyo, Bruxelles, London, Dusseldorf, Paris and New York.

Amsterdam, March 15, 1990

N.V. Nederlandsch Administratie- en Trustkantoor

Trade fairs and exhibitions: UK

Current
Daily Mail Ideal Home Exhibition (01-222 9341) (until April 1)
Earls Court

Current
International Cycle and Leisure Fair – CYCLEX (01-390 2211) (until March 20)
Olympia

March 20-22
NEPCON Europe 90 (01-948 9800)
NEC, Birmingham

March 26-28
London International Book Fair (01-948 9800)
Olympia

March 27-29
CADCAM International Show (01-404 4844)
NEC, Birmingham

March 29-April 1
International Contemporary Art Fair – ART (01-486 1951)
Olympia

April 2-16
International Festival of Science & Technology (031-228 4756)
Edinburgh

April 3-5
International Conveyors & Conveyor Components Exhibition – CONVEYOREX (0895 58431)
Harrogate

April 3-5
Fashion Fabrex – FABREX (01-244 6433)
Olympia

April 3-7
International Construction Equipment Exhibition – ICE (01-637 2400)
Wembley Conference Centre

Overseas exhibitions

Current
International Jewellery Show (01-828 1661) (until March 20)
Hong Kong

March 23-26
International Franchise Exhibition (01-727 1929)
Paris

March 29-31
Production and Test Equipment for Electronics Manufacturing EXhibition – INTER-NEPCONKOREA (01-340 3777)
Seoul

March 31-April 5
International Hotel and Catering Exhibition – INTERGASTRA (01-236 0911)
Stuttgart

April 3- April 5
Packaging Exhibition – PAK-EXPO (Dublin 884939)
Dublin

April 4-7
Electronics Industry Exhibitions – EIE/SMT/ECA (0494 729406)
Hong Kong

April 5-8
International Telecommunication, Electrical, Electronic, Computer Systems Technology Exhibition and Conference *(01-639 7265)*
Bangkok

Business and management conferences

March 19-23
University Consultants (Japan): Coming to terms with Japan (01-323 4383)
Cambridge University

March 20
The Henley Centre: Annual review of social developments and forecasts (01-353 9961)
Cavendish Conference Centre

March 21
EEC Society: Euroconference *1990 "Europe 2002 - a common* market between the East and West?" (01-368 1299)
Westminster Central Hall

March 23
Club de Bruxelles: East-West: Practical steps towards a new partnership (Brussels (02) 771 98 90)
Brussels

March 26-27
Financial Times Conferences: World Pharmaceuticals (01-925 2323)
Royal Garden Hotel, London

March 26-27
Financial Conferences: The European water industry (01-925 2323)
Hotel Inter-Continental, London

March 28
OM Conferences: Successful structuring of croose-border and multinational operations and investments in Europe for the 90's(France(33) 93 78 08 19)
Sheraton Park Tower, London

March 28
Centre for European Policy Studies: Waste management, Recycling and Eco-Packaging Policy Issues (Brussels (322) 511.59.60)
Brussels

March 29-30
Martin Harvell and Associates: – *Aviation symposium* '90 – A Greater Europe (01-949 0036)
Olympia 2 Conference Centre

April 4-6
Financial Times Conferences: Venture Forum Europe '90 (01-925 2323)
Hotel Inter-Continental, Paris

April 6
CBI Conferences: The lawyer and you – in-house or external legal services? (01-379 7400)
Centre Point, London

April 18-19
National Economic Development Office: Go public! – a conference for European Community buyers and suppliers to discuss the opening up of the public sector market place in the 1990s (01-217 4056)
Queen Elizabeth II Conference Centre, London

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there have been no changes to the details published

NOTICE TO THE HOLDERS OF WARRANTS OF

SUMITOMO ELECTRIC INDUSTRIES, LTD.

U.S. $200,000,000 3⅛ per cent. Bonds due 1992 with Warrants

Pursuant to Clauses 3 and 4 of the Instrument (the "Instrument") dated 13th October, 1987 relating to the above-mentioned warrants (the "Warrants"), the following notice is hereby given.

Sumitomo Electric Industries, Ltd. (the "Company") has made a public offering in Japan of Convertible Bonds due 1997 of the Company (date of issue: 15th March, 1990 Japan Time) at the conversion price of 1,650 Japanese Yen per share which is less than the current market price per share of 1,685.7 Japanese Yen calculated as provided in the Instrument.

As a result of such public offering, the Subscription Price of the Warrants has been adjusted, pursuant to Clause 3 of the Instrument, from 1,866 Japanese Yen to 1864.4 Japanese Yen effective as of 15th March, 1990 (Japan Time).

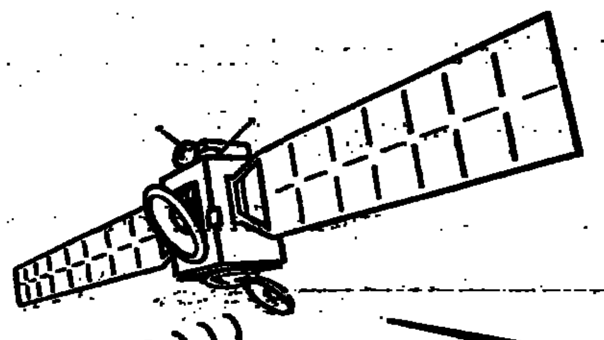
SUMITOMO ELECTRIC INDUSTRIES, LTD.
Dated: March 19th, 1990

The Molson Companies Limited
(Incorporated with limited liability under the laws of Canada)
U.S. $20,000,000 Floating Rate Notes
Issue date 21st May 1987
Maturity date 21st May 1992
For the three month interest period from 20th March 1990 to 20th June 1990 the rate of interest on the notes will be 8⁷⁄₁₆% per annum. The interest payable on the relevant interest payment date will be *U.S. $10,781.25 per U.S. $500,000* note.
Morgan Grenfell & Co. Limited
Reference Agent

INTERNATIONAL TELECOMMUNICATIONS
The Financial Times proposes to publish this survey on:
18TH APRIL 1990
For a full editorial synopsis and advertisement details, please contact:
Alison Barnard
on 01-873 4148
or write to her at:
Number One
Southwark Bridge
London
SE1 9HL
FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

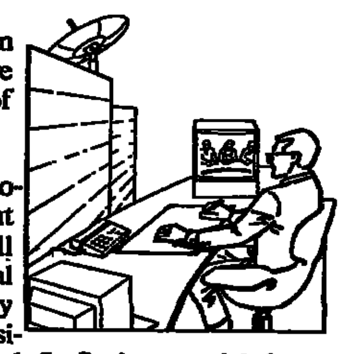
AUTOMATIC IDENTIFICATION
The Financial Times proposes to publish this survey on:
23rd May 1990
For a full editorial synopsis and advertisement details, please contact:
Jonathan Wallis
on 01-873 3565
or write to him at:
Number One
Southwark Bridge
London
SE1 9HL
FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

1990. Satfin* creates the first European audiovisual network designed exclusively for financial market professionals.



Satfin: financial information in real time.
Satfin is the first European audiovisual network designed exclusively for financial market professionals. Satfin delivers encoded financial information to and from European countries and the United States. Meetings of financial analysts, corporate presentations and investment conferences are transmitted in real time. Satfin, created by financial and communication experts, provides five days of financial programming per week and has to date averaged 4 hours of financial information per day. Launched on October 16, 1989, Satfin immediately commenced its coverage of major stock market events, including the recent Renault-Volvo merger and the Paribas takeover.

Satfin has signed exclusive agreements with the American network IRN (Institutional Research Network) for the exchange of programmes, enabling a broader range of financial information to be offered to subscribers. Satfin has thus been able to transmit programmes concerning American listed companies and business sectors. On January 25, 1990 for example, with just 48 hours' notice, Satfin was able to broadcast live the Intel Corporation analysts' meeting in New York, which permitted Satfin subscribers to follow the meeting as if they were physically in attendance at the NYSSA.



IRN regularly broadcasts Satfin programmes in the United States, including for example, the live transmission of Barclays Bank's announcement of their annual results.

Satfin: an invaluable workplace instrument.
Satfin uses advanced telecommunications technology to transmit financial information throughout Europe via satellite, in total confidentiality. All programmes are delivered through a professional decoder of proven reliability, and enhanced by simultaneous translation into English. In a business where up-to-the-minute information is vital, Satfin is a crucial time-saving resource.

Satfin: the new financial communication.
A new medium, designed exclusively for market professionals, Satfin overcomes national borders and time differences, and reflects the fast developing single European market. By enabling investors to access information, and listed companies to communicate with the European stock markets, Satfin brings business sectors and the international financial community that much closer together.

For further information on Satfin, contact Satfin U.K.: Malcolm Stevens, Mark Rogerson, Christian Franceschi, Tel: 01.606.5836 - 01.606.1771.

SATFIN U.K.
Throgmorton House
33 Throgmorton St
London EC2N 2BR
Fax: 01.606.5670

BELGIUM FRANCE ITALY LUXEMBOURG NETHERLANDS SWITZERLAND UNITED KINGDOM U.S.A. WEST GERMANY

*SATFIN-Finance & Satellite is the new designation for FINSAT - Finance & Satellite.

LIAISON INTERNATIONALE

Brasilinvest
introduces the new
Transcontinental Bank

Today a new Brazil is being born. A modern Brazil, open to the world, with a definitively consolidated democracy and ready to resume its destiny as a great nation.

Together with this new country, a new bank is being born. Modern in its conception, economically sound due to the quality of its partners and prepared to offer excellent business opportunities.

The Transcontinental Bank is linked to the Brasilinvest Group, responsible for investments to the order of one billion dollars.

Good partners for good business.

The partners of Transcontinental Bank are:

Ferruzzi SpA (Italy) - William E. Simon & Sons Inc (USA) - Empresa de Comunicação Três Editorial Ltda. (Brazil) - Group Fernando Sampaio Ferreira (Brazil)

The advisory board is:

Chairman: William Simon, Chairman of William Simon & Sons Inc; Co-Chairman: Raoul Gardini, Chairman Ferruzzi SpA; Albin Chalandon, former Minister of Justice of France; Alejandro Orfila, former Secretary of Organisation of American States (OAS); Domingo Alzugaray, President of Transcontinental Bank and Chairman of Empresa de Comunicação Três Editorial Ltda.; Fernando Sampaio Ferreira, Chairman of Sampaio Ferreira Group; Bento de Barros Ribeiro, Ribeiro, Dinamarco, Legal Counsels; Mário Garnero, honorary Chairman of Transcontinental Bank and Chairman of Brasilinvest.

TRANSCONTINENTAL BANK

Headquarters: Av. Ipiranga, 952 - 4º - Tel.: (5511) 222-9226 - CEP 01040 - Fax: (5511) 842-9991 - São Paulo - Brazil

The Brasilinvest Board of Directors is looking forward to meeting the members of the business community at its traditional luncheon held on September, 26 at the Shoreham Hotel, Washington, D.C.

ARTS

Power of Berlioz heralds new Paris opera house

Reasons for celebration, are these. Paris's new opera house, the Bastille, has at last shown its first fully mounted opera, and that opera is *Les Troyens* (sponsored by Time Warner). At the opening its two parts were given, as they should be, on a single evening (though during the forthcoming run the "Intégrales" will be reserved for Saturdays: on weekdays there will be alternations of Troy and Carthage). It is not often one can confidently talk of wrongs being righted, in the arts world or any other. Here was an occasion.

This is the city in which Berlioz lived, for which he composed this noblest and most splendid of epic operas, over which he broke his heart. *Les Troyens* had never been given here in full before Saturday. A pedant might insist that even on Saturday it was not, since the two Carthage dance suites were cut; but that would be petty hair-splitting.

For this was an achievement of peculiar significance – an act of reparation, one might almost call it – and when the history of the Bastille Opera's first years comes to be written, with all its episodes of mind-changing and blood-letting, this production will surely count as the strongest argument for its existence.

It was an evening in which the power of Berlioz's dramatic imagination, the power of his score to seize and transform an audience, was vindicated. Not overwhelmingly, but sufficiently – and, in the circumstances, that is something of a triumph in itself. (*Les Troyens*, after all, was only brought to the Bastille drawing board last year, after Daniel Barenboim had gone and his plans for *Don Giovanni* had been shelved).

It is too soon to be dogmatic in one's conviction that the physical comfort of the Grande Salle, its spacious proportioning of stage and auditorium, constitute real virtues, and its "narrow", unexpansive acoustics real defects. (I shall return to the theatre itself in a second report from Paris.)

These were impressions, formed during a long but never tiring evening; the strongest of them was that nothing really stood in Berlioz's way. The composer has, indeed, one all-important ally in the new Bastille administration: Myung-Whun Chung, whose appointment as musical director (and Barenboim's replacement) was controversial, and who as an opera conductor may be considered, not unfairly, an unknown quantity.

In brief, he is a born Berliozian, and he is already deep inside the music. Even though the configuration of pit relative to stage seemed so often to apply an unwanted Bayreuth-type covering to the timbres and dynamics, one came to marvel at the excellence of the orchestral playing, its life-giving rightness of colour and style.

The stringent martial leanness of Troy and the iridescent Mediterranean glow of Carthage were the two soundpoles on which the whole performance was securely structured. Chung knows, too, how to crack the Berlioz rhythmic whiplash, how to phrase and place both the melodic surges and the abundant, emotion-enriching details, how to encourage fine choral singing. No conductor can reasonably be expected to get everything in balance in a first *Trojans*, let alone in a brand-new theatre with a bounty of stage-management gremlins to be disposed during the course of a *grande soirée d'ouverture*. After all possible criticisms had been made, there was still a great deal left over to praise.

The success of the production (by Pier Luigi Pizzi, in his own designs) and casting is far more obviously relative: since both were achieved at (so to speak) the last minute, their efficacy is in itself a feat, but both are far from ideal. Pizzi's "architectural" stagings, based on carefully composed neo-Classical stage pictures, are familiar all over the operatic world, and always a guarantee of workable spectacle. The style works more effectively with Troy; in the later episodes of Carthage one wondered at times whether the stock of fresh ideas had simply run out. As a director of characters Pizzi is seldom inspired; a sense of insight into their emotional lives was not a notable feature of this Berlioz production.

In vocal terms Grace Bumbry and Shirley Verrett, two long-admired *bêtes du théâtre*, are here presented somewhat late in the day. The former's Cassandra comes across with greater technical control, if no very striking command of Classical declamation; the latter's Dido gets through on beauty and distinction of presence, though at times it is a near thing.

George Gray (Aeneas), a third leading American, has a freely produced; somewhat chunky, slightly ungrateful type of heroic tenor, more Vickers (but without the genius) than Thill; in view of this, his tender, sensitive response to the love music was remarkably impressive.

Among the French supporting cast there are lovely performances from Colette Alliot-Lugaz (Ascanius) and Nadine Denize (Anna), and strong, well-formed ones from Philippe Rouillon (Choroebus) and Jean-Philippe Courtis (Narbal).

Will the new Paris opera house, and the new Parisian operatic seriousness shown with this *Troyens*, inspire a revival in the fortunes of the native school of singing? Francophiles, well-wishers and opera-lovers everywhere will be praying that it does.

Max Loppert

ARCHITECTURE

A 19th century warehouse wins in Belfast

What is the image of Ulster architecture? Of all the regions of the British Isles it is the one which, to outsiders, appears to suffer from such delicate political circumstances that its future is confounded. But on the ground, walking round the towns and villages of Northern Ireland as I have been doing for the last few days, the situation is far from depressing. An invitation to judge this year's architectural awards sponsored by the magazine, Ulster Architect, provided an excellent opportunity to acquire a broad perspective of Northern Ireland's architectural present and future.

This year's Ulster Architect Building of the Year Award followed a slightly different pattern from previous years in that the general public were invited to submit the entries. The result was a broadly based selection of buildings with a strongly domestic flavour and a wide geographical spread throughout the province.

The winner this year is a fine conversion and adaptation of a 19th-century clothing warehouse in the centre of Belfast. Known as the Clarence Gallery, it has been refurbished and altered by the architects Robinson Patterson Partnership, of Belfast, as their own offices, premises for design consultants and a photographer's studio. It is a striking winner for a variety of reasons. First of all, it shows that it is possible to rescue a large brick 19th-century warehouse in the heart of the city and give it a promising new life. Secondly the architects, while treating the old fabric with considerable respect, were not intimidated by it and have done some radical things that actually improve upon the past.

They decided to remove the narrow front wall that faces onto the main street close to the BBC in Belfast and replace it by a glass wall that rises the whole height of the building. This was a bold and somewhat controversial thing to do but it has paid off. There is now a dramatic view from the street of the curved staircase and a glimpse is offered into every floor. It is, of course, also a fine advertisement for the architects.

Inside, the open-plan warehouse spaces with their white-painted brick walls are elegantly complimented by smooth and glossy Italian-tiled floors and some simple glass block screens. I liked particularly the partners' offices, which have curved serpentine walls and beautiful, simple arrangements of classic glass and leather furniture.

There is a slight risk that the smoothness of the design, with all its hard surfaces, could be seen as rather transient and fashionable: too close to the world of "Next" and the hint of Japan?

In the final analysis it avoids the cliché by the quality of the materials and the elegance of the execution. But, it has to be pointed out, that there is a danger of this sort of interior design becoming a travesty of itself. I was interested to see the way that the photographer, Christopher Hill, who occupies another part of the same building, had treated his interior. He had chosen to retain the old ceramic and wood floor and some of the old warehouse features with a resultant enhancement of character.

The development of the warehouse is important for the city of Belfast. Too many of the fine, tall brick warehouses and former linen mills have been demolished and the substantial invasion of the London-styled office block and shopping precinct is likely to turn Belfast into just another Euro-American city of dead plazas and empty atria.

There were three commended schemes this year that reflect the encouragingly high general standard of design and sensitivity. Kevin Coogan's Balmoral Golf Clubhouse has a refreshing ingenuity about it. The great striped tile roof at first sight looks somewhat excessive; it is when you realise that it provides a sweeping shelter over the large verandah that the whole thing is justified.

Because the ground floor is for everyday routine things associated with golfing life – like locker rooms, showers, places where it doesn't matter if you wear your studded shoes – all the main spaces are on a "piano nobile." From this first floor you get fine views of the links and there is a restaurant and bar. From the golf course itself this new clubhouse does all that a clubhouse should do. It has a highly visible pitched roof which is topped by a clock tower. There is a friendliness and approachability about this well detailed design.

There is a great deal of public and private housing development in Northern Ireland. I looked at several sheltered housing schemes for the elderly and one of them was commended this year. River House in Newcastle, Co. Down, is designed by architects Brian Knox and Clyde Maxwell. This home for 30 elderly people (built by the Presbyterian Housing Association) overlooks the sea and it has been beautifully designed to fit in to the locality. The white walls and grey slate roofs look exactly right here, an air of a casually grouped series of whitewashed houses seems entirely appropriate.

This sort of accommodation is an area where architects all over the British Isles have made an enormous and sensitive contribution to the care and housing of the elderly. River House had a clean serenity about it that was very appealing and comforting.

The staff and residents appeared to enjoy living there, and there was a happy atmosphere helped by the beautiful location and, I am sure, by the new architecture.

In the world of new academic and university accommodation architects have always enjoyed a design freedom that is not always supported by tight budgets. At the Magee Campus development of the University of Ulster, at Londonderry, architects Ferguson and McIlveen have added substantial new buildings to the existing campus. This scheme was commended this year. It could have been a winner, but it was not possible to judge the whole effect of the campus expansion until the second phase is also completed.

There is boldness about the large brick teaching blocks with their huge oversailing slate roofs, but they seem almost to overwhelm the older gothic Magee College. The language of the new blocks is a cross between overscaled vernacular and exposed supporting steel structures. Certainly there is a confidence here, but perhaps not enough subtlety for a site that is very sensitive to large-scale changes.

Ulster is undoubtedly in an architecturally lively mood at present: the combination of the civil and welcoming with a blush of fashionable post modernism is beguiling and positive, and the scale of investment in new buildings is impressive, providing cheering hope for the future.

Colin Amery

Rosalind March and Steven Hartley

Alastair Muir

Mill Fire

RIVERSIDE STUDIOS

Sally Nemeth belongs to one of the contemporary theatre's endangered species – young writers capable of sculpting large themes from ever-diminishing resources. In the first of her plays to be seen in London, *Holy Days*, this Chicago-based dramatist dealt with the dust bowl disaster of 1930s America, evoking a slice of outback life as thick and choked with atmosphere as the air within it was with sand.

In *Mill Fire*, she turns her attention forward 40 years to the crumbling Alabama steel industry of the late 1970s. Brian Stirner, who directed the earlier play so finely at Soho Poly, has quite rightly gone for the bigger Riverside Stage for this production hosted by the Bush.

Once again, Nemeth uses the particular as a peephole to the general: in this case a furnace blow-out at an undermanned steel mills sets the individual against the system. Marlene, whose husband died in the blast, refuses to wear seemly black or accept the "blood money" pressed on her by a company interested only in protecting itself against costly litigation.

In doing so, she holds up payments to all the other mill widows, represented by a trio in neat black dresses, who are a constant presence, recounting the adjustments of their own widowhoods to each other without a hint of recrimination, other than for the scarlet woman in their midst.

The blast happens at the end of a first act which is structured in splintered scenes. On one side of the stage lies the bed of Marlene and Champ, newlyweds still in the first flush of passion; on the other side is the bed of their older friends, Bo and Sunny, whose life in the shadow of the mill has turned her into an alcoholic and him into a kowtowing company man.

Naturalistic scenes from married life are punctuated by the chatter of the widows who lounge above and between them, the embodiment of their fears and also of a reality which becomes clear in the second act as Marlene struggles with the pain of her bereavement.

It takes a while to get with the staccato structure of a play which as yet needs to relax into the broad stretch of the Riverside. The sound system, in particular, is not up to what one imagines is the intention – an aural evocation of an industrial monster that gobbles up the lives of whole communities.

But Sirner's scrupulously restrained direction yields some strong, unsentimental performances, at the centre of them Clare Holman's sensual Marlene, whose sexual voraciousness is reflected in her passionate grief. Steven Hartley, as her husband, is hunky, happy-go-lucky and above all, ordinary, as he slides out of bed and into disaster, while Rosalind March's mercurial Sunny and Stephen Hoye's passionate Bo erects a solid bulwark of reality against the feyness of the widows, confirming once again that Nemeth is a woman to watch.

Claire Armitstead

I Surrender, Dear

THE PLACE

That lively and irreverent group *Adventures in Motion Pictures* opened a new programme last week. Or half a new programme, since Matthew Bourne's tribute to an Englishman's France, *The Infernal Galop*, returns to the repertory to help international misunderstanding.

The novelty is Jacob Marley's *I Surrender, Dear*, which purports to show that "Disco Monsters need love, too," but is in fact a far more serious piece than its title pretends. The six dancers of the company – three male, three female – are clad alike in mauve dresses.

The mood is dream-like, the performers somnambulists, sometimes blindfolded, acting out small dramas and tiny incidents as trash popular music gives way to Mozart's clarinet quintet. And what is so amazing is is that Marley's dance ideas – often made up of colloquial gesture, or simple and unemphatic actions – sit so gently on the music's sublimities. I cannot fathom why these activities should seem to be engaging but nowhere does he bruise or brutalise his score. For part of the time the cast behave as if lightly smashed (they have mimed a quick vodka in mid-scene), and movement has that delicately inconclusive air which can be noticed among people who have not imbibed too deeply.

Yet there is an abiding impression of dance taken seriously, and intended seriously, too. When Mozart finally yields to Bing Crosby singing the title song – which boasts those innocent lines ("I may act gay/ It's just a pose/Because I'm not that way") – one of the men appears wearing what I can only describe as lit-up platform shoes, and the banalities of the lyrics are exposed in succinct mime. It is reminiscent of Mark Morris's procedures, but most of the piece is memorably original and a delight to watch.

Matthew Bourne's *Infernal Galop* has already been admired in these columns by Alastair Macaulay. I can but add that it makes neat fun of a great many clichés, not least the relentless moanings of Edith Piaf.

The best item, though, concerns two chaps who are entering upon what one might call a Genet-type situation but are repeatedly interrupted by the vivacities of a group of musicians. And Mr Bourne's response to an Offenbach cancan – a vestigial romp, one might say – is a splendid end to a very jolly piece. Performances, production, design are uniformly good. This is an excellent company.

Clement Crisp

American Music Festival

ROYAL ACADEMY OF MUSIC

The Festival is an annual event at the RAM (sponsored by The Princess Grace Hospital), and this year it has been "American" because the composer-in-residence has been the 82-year-old Elliott Carter. During the final concert last night, he both received Honorary Membership of the RAM, and awarded the student prize for "most promising work heard during the Festival" to Paul Pellay for his *M'Illumino d'immenso*, heard on the previous evening.

Thursday night's concert comprised three Carter works, *Decoration Day* by his early mentor Charles Ives, his compatriot Jacob Druckman's *Chiaroscuro* and a postgraduate piece, Periklis Koukos's *Prooimion* – both of the latter British premières. *Prooimion* revelled in a large orchestra, quite professionally, for six minutes: it suggested that Koukos must have a big theatre or ballet piece in him. The incessant bursts and fades of colour in the longer *Chiaroscuro* conveyed no very compelling structure, at least at first hearing.

Not that the RAM Symphony Orchestra, keenly conducted by Nicholas Cleobury, sounded below-standard – far from it: one imagines, though, that even student rehearsal time has its limits.

Of the Carter works, the *Three Occasions* which Oliver Knussen premièred last October needed more precise glitter here for the opening "Celebration".

But "Remembrance" proceeded confidently, with a fine solo trombone, and the complex passions of "Anniversary" were lyrically spelled out; and the 1944 *Holiday Overture* – from the time when Carter was generally thought of (if at all) as an academic composer with a knack for lively invention – was delivered with irresistible verve, not scamping its risky contrapuntal busyness but making the most of it.

Surely the lion's share of rehearsal time had gone to the towering Variations of 1955, which concluded the concert to magnificent effect. The skill and the unyielding dramatic intensity Cleobury and his players brought to them were worthy of a far more seasoned band.

As even newcomers to Carter's intricate musical methods must have agreed, this was a seriously exciting performance.

David Murray

Have your FT hand delivered in France

If you work in the business centres of ANTIBES, BORDEAUX, CANNES, GRENOBLE, LYON, MONACO, NICE, PARIS (all arrondissements) plus 92000 postal code, STRASBOURG, TOULOUSE, MARSEILLE or NANTES – gain the edge over your competitors. Have the Financial Times hand delivered to your office at no extra charge and you will be fully briefed and alert to all the issues that affect your market and your business.

12 FREE ISSUES

When you take out your first subscription to the FT, we'll send you 12 issues free. Then see for yourself why Frederick Ungeheuer, *Time* magazine's senior financial correspondent, describes us as "the paper with the best coverage of international finance."

Paris (01) 42 97 06 23

And ask John Rolley for details.

FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

ARTS GUIDE

March 16-22

MUSIC

London

London Festival Orchestra directed by Ross Pople with Bryn Terfel (bass), Richard Freidman and Steven Smith (violins), Edward Beckett (flute). Bach birthday celebration (Tues). Queen Elizabeth Hall (928 8800).
The London Ragtime Orchestra. Joplin, Jelly Roll Morton and Piron (Wed). Queen Festival Hall (928 8800).
Helsinki Philharmonic Orchestra conducted by Vernon Handley, Joseph Swensen (violin). Elgar, Sibelius, Dvořák (Thurs). Barbican Hall (638 8891).

Paris

Murray Peraldа (piano) with The Chamber Orchestra of Europe. Mozart (Mon). Salle Pleyel (45638873).
Ensemble Musique Vivante conducted by Diego Masson: Xenakis, Dusapin, Kagel (Mon). Auditorium des Halles (40283828).
Patrice Fontanarosa (violin) and Bruno Rigutto (piano). Bach, Beethoven, Schumann, Ravel (Tue). Salle Pleyel (45638873).
Paul Badura Skoda (piano). Haydn, Beethoven, Mozart, Schmidt, Martin (Tue). Auditorium des Halles (40282828).
Orchestre de Paris conducted by Claus Peter Flor. Salvatore Accardo (violin). Beethoven, Kochan, Mendelssohn (Wed, Thur). Salle Pleyel (45630796).
Ensemble Orchestral de Paris conducted by Armin Jordan. Yves Henry (piano) Jacques Vandeville (oboe). Debussy, Krommer, Fauré, Mozart (Thur). Salle Gaveau (45632080).
Royal Concertgebouw Orchestra with Malcolm Frager (piano). Herbert Blomstedt conducting. Mozart, Strauss (Wed, Thur). Concertgebouw (718 345).
Netherlands Philharmonic Orchestra conducted by Kenneth Montgomery, with Robert Cohen (cello). Diepenbrock, Elgar, Walton (Wed, Thur). Beurs (27 04 66).

Utrecht

Maria Tipo (piano). Beethoven (Mon). Vredenburg (31 45 44).

Brussels

Malcolm Frager (piano) in a programme of Beethoven, Chopin and Field (Mon). Palais des Beaux-Arts.
Claudio Arrau (piano) programme to be announced (Thurs). Palais des Beaux-Arts.

Antwerp

Walter Proost Chamber Orchestra and Antwerp Symphonia conducted by Walter Proost with Giorgio Zagnoni (flute) playing Beethoven, Mozart and Vianella (Mon). De Singel.
Shostakovich Quartet performs Shostakovich's *String Quartets* (Wed, Thur). De Singel.
The Royal Flanders Opera Symphony Orchestra conducted by Peter Burian with soloists performs the Messa Per Rossini composed by Italian composers to commemorate his death. (Wed). Onze-Lieve-Vrouw Kathedraal.

Frankfurt

Frankfurt's Opera and Museum Orchestra, under Gary Bertini with Krisztina Laki (soprano) and Robert Hall (baritone) with Brahm's German Requiem (Mon). Alte Oper.

Berlin

The Chamber Orchestra of Europa and pianist Murray Parahia with an all Mozart programme. (Wed) Philharmonie.
Ivo Pogorelich piano recital. Haydn, Chopin, Scarlatti, Brahms, Balakirev (Mon). Philharmonie.

Madrid

Trio Schubert de Madrid. Schubert (Tues). Auditorio Nacionalde Musica (337 01 00).

Barcelona

Bracha Eden and Alexander Tamir. Piano recital. Brahms, Stravinsky (Wed). Fundacion caja de Pensiones (317 57 57).

Milan

Chris Merritt (tenor) singing Durante, Scarlatti, Gluck, Handel, Brahms accompanied by pianist Robert Kettelson (Mon). Teatro Alla Scala.(80.91.26)
Lilia Zilberstein (pianist) playing works by Schubert and Brahms (Wed) Conservatorio G Verdi. (76001755).

Rome

Luciano Berio conducting two of his own works and Mozart's violin concerto. (Mon, Tues) Auditorium in Via Della Conciliazione. (6541044).
Quartetto Vermeer playing Haydn, Bartok and Schumann (Wed). Teatro Olimpico. (393304).

New York

Cincinnati Symphony Orchestra conducted by Jesus Lopez-Cobos with Alicia de Larrocha (piano). Beethoven, Brahms (Mon);
Christa Ludwig soprano recital with James Levine (piano). Schubert programme (Tue);
Oratorio Society of New York conducted by Lyndon Woodside. Beethoven programme (Wed);
Orchestre National de France conducted by Lorin Maazel. Messiaen, Saint-Saens (Thur). Carnegie Hall. (247 7800).

Washington

National Symphony Orchestra conducted by Franz Welser-Most. Beethoven programme (Tue); conducted by Sir Neville Marriner. Bax, Mendelssohn, Vaughan Williams (Thur). Kennedy Center Concert Hall (467 4600).

Chicago

Moscow Philharmonic Orchestra conducted by Dmitir Kitaenko with Yuri Bashmet (viola). Moussorgsky, Bartok, Rachmaninov (Mon). Orchestra Hall (435 6666).
Chicago Symphony. Erich Leinsdorf conducting. Liszt, Thomson, Sibelius (Thur). Orchestra Hall (435 6666).

Tokyo

Stanislav Bunin (piano). Bach, Weber, Chopin. Suntory Hall (Tues). (505 1010).
Trio di Clarone. Mozart, Poulenc, Stravinsky. Casals Hall (Wed). (289 9999).
Asian Music Festival. Suntory Hall and other venues (from Wed) (576 6328).

SALEROOM

Dublin paintings stabilise

While the market for Irish pictures grabbed the headlines last year as the sums paid at auctions in both Dublin and London rocketted, the results of two big sales in Dublin last week indicate that prices, though still buoyant, are stabilising.

At Taylor de Veres 134 lots came under the hammer: the sale grossed £327,000 with 15 per cent bought in. The Adam Salerooms offered 214 items in an auction that grossed £1.2m, also with 15 per cent being bought in.

The focus is on pictures painted in the first 50 years of this century, with artists like Yeats, Osborne, Lavery, Orpen and Paul Henry the perennial and well-established favourites. But a surprising feature of last year's market was the prices fetched for pictures by lesser artists such as Letitia Hamilton, Frank McKelvey, James Humbert Craig and Maurice MacGonigal.

The top lot in the Taylor de Veres sale, an Osborne of "Bathers" (estimate £60,000-80,000) failed to sell. It had a distinguished provenance but Osborne had a very uneven talent and this was not one of his best works. It was withdrawn at £44,000.

This made way for a delightful, small, Moroccan scene by Lavery to fetch the top price of the day: £32,000. It was well worth the money as such pictures by this well-established artist still seem under-priced. Two landscapes by Paul Henry went for £17,000 (estimate £15,000-20,000) and £16,500 (estimate £8,000-10,000) respectively. Of the several works by Frank McKelvey in the sale, one sold at the top of the estimate for £30,000.

Letitia Hamilton, whose prices of up to £30,000 surprised everyone last year, disappointed. Two of her works – and Irish scenes at that – were withdrawn while a third sold at £5,800 against a top estimate of £8,000.

The Adam Salerooms had as many as eight paintings by Hamilton on offer and a Connemara Scene rated best. It went for £15,000 (estimate £15,000-20,000). A feature of this sale was the very large number of pictures by Jack Yeats on offer. There were 34 works but his results proved to be very uneven. Top lot of the auction was a 1937 Yeats that went for £115,000 (estimate £120,000-180,000). Another oil, "Singing Rolling Home" failed badly. It went for £60,000, even though it was estimated at £80,000-£120,000.

By contrast two other pictures by the artist did well. A very small panel, "The owner of the shooting gallery" sold at £52,000 (estimated £28,000-34,000) and a similar-sized "The Ale House" went for £40,000 (estimate £27,000-35,000). The paintings of Paul Henry, of which there were only three in the auction, were in demand and a new record of £70,000 was established for a west of Ireland landscape (estimate £50,000-70,000). A more typical picture by him, with an estimate of £18,000-24,000, sold for £34,000.

Homan Potterton

FINANCIAL TIMES
NUMBER ONE SOUTHWARK BRIDGE, LONDON SE1 9HL
Telephone: 01-873 3000 Telex: 922186 Fax: 01-407 5700

Monday March 19 1990

Two Major temptations

MR JOHN Major should have little difficulty in living up to expectations when he presents his first budget tomorrow. The budget is expected to be dull, both overall and in detail. But a neutral budget does not have to be boring and, in any case, it is better to be dull than disgraceful. Two popular ideas – raising the ceiling on mortgage interest relief and extending tax relief for child care – fall in the latter category.

The arguments for raising the mortgage interest ceiling are that it has remained where it is for a long time and that the current policy of high interest rates is hitting the heavily mortgaged hard. Both are arguments for keeping the ceiling. To raise it now would destroy the policy of allowing this unjustifiable relief to wither away. Moreover, to quote the Chancellor, if the high interest rate policy is not hurting, it is not working. Should Mr Major feel obliged to respond to the moans, then he must also restrict relief to the basic rate of tax.

Mortgage interest relief is an old disgrace. Tax relief for child care would be new and so still less defensible. Ignore the feminist rhetoric. What is being demanded is that the taxpayer should make a handsome contribution towards the cost of servants. If a nanny's wages of £8,000 a year were *fully deductible, a lucky* employer in the 40 per cent tax bracket would receive £2,400. But those too poor to afford servants and those who wish to bring up their own children would receive nothing.

Child care

Allowing employer-provided child care as a tax free perk would be less indefensible. A child care voucher or tax credit to working mothers would be better. But a sizeable increase in Child Benefit would be better still, since this would not bias the mother's choice between work and home.

If Mr Major avoids the disgraceful, is he doomed to the tedious? His choices are not that limited. There are sensible ways of raising revenue and some equally attractive ways of spending it, even within the confines of a neutral budget (defined as one in which income tax allowances are raised in line with inflation, but there is no other net change).

Should the Chancellor wish to introduce a "tough" budget or merely offset the effects of independent taxation of husband and wife, he must find some additional revenue. One possibility is not to adjust income tax allowances, which would give him around £1.6bn. The decision would be wrong, however. Inflation should not be a surreptitious means of raising taxation. Moreover, raising income tax allowances is the best way for the Chancellor to provide help to those most battered by the poll tax.

National insurance

Even if higher rates of income tax are ruled out, the Chancellor has alternative ways of raising revenue: he can extend national insurance contributions to benefits in kind; he can raise the upper earnings limit on employees' national insurance contributions; he can increase the taxation of company cars; and he can revalorise excise duties.

Because of the effects on the retail price index, the last is presumed to be as unacceptable as higher rates of income tax. If so, this is unfortunate. The Chancellor could use the revenue and there are good social reasons for imposing *higher indirect taxes on petrol,* alcohol and cigarettes. Mr Major could even console himself with the thought that the headline rate of inflation would promptly become so high that it could only fall steeply thereafter.

With surplus revenue in his hands the Chancellor could try his hand at a bit of tax reform. Places to look at are the schedule of employers' national insurance contributions (which retains the defects removed last year from employees' contributions), Corporation Tax and the taxation of savings, notably the treatment of interest income.

Even a neutral budget need not be dull. But the motto always remains *primum non nocere* (above all do no harm). Budget judgments are doubtful; the Budget itself overrated; but one thing the Chancellor must not do is succumb to the not so discreet clamour of the bourgeoisie.

New rules for state industry

HEATED arguments over nationalised industry policy have recently broken out between Sir Leon Brittan, the European competition commissioner and the French authorities. These highlight the need for clear European Community rules in an area where hazy boundaries and murky practices have long conspired to distort markets.

At best, relations between *nationalised industries and* their government parents lack the transparency and commercial disciplines normal in the private sector. At worst, state ownership has enabled European governments unfairly to subsidise favoured producers and to preserve inefficient industrial capacity. Unchecked, such habits would be as damaging to free competition in a single market as the perpetuation of national barriers to trade in goods and services.

Sir Leon does not dispute the principle of state ownership, which is explicitly recognised by the Rome Treaty. But he wants to restrict abuses by requiring governments to behave more like private shareholders. As well as controlling subsidies more strictly, he is drawing up guidelines to ensure that nationalised industries earn reasonable returns on capital, pay regular dividends and are not guaranteed against bankruptcy.

Whatever criteria are employed, they are bound to involve subjective judgments *on matters such as what con*stitutes a "fair" rate of return. The scope for arbitrary decisions by Brussels unsettles the French Government. It has come to view Sir Leon as a man of dangerously Thatcherite tendencies, following his decisions to challenge subsidies to the state-owned Renault motor group and the planned takeover of UTA, the country's largest private airline, by the state-owned Air France.

Subsidies trimmed

On the face of it, France appears to be over-reacting. It has trimmed industrial subsidies in the past decade, and most companies in its extensive state sector are profitable enough to stand on their own feet. However, Paris is concerned that forceful intervention by Brussels will disturb the delicate political balance in the governing socialist party.

Continued state ownership, enshrined in President Mitterrand's commitment to "neither privatisation nor nationalisation" is largely of symbolic importance in France. Its main function is to reassure those on the left that, in spite of its enthusiastic conversion to market-oriented policies, the Government has not jettisoned socialist values entirely.

Incoherent doctrine

Many officials in Paris freely admit that the "neither/nor" doctrine lacks any coherent economic rationale and is cumbersome to administer. That is not to say that they do not perceive advantages in it. State industries are protected against the threat of takeover by foreign predators, and their substantial holdings in French publicly-quoted companies offer scope for discreet official manipulation of the financial markets.

Suspicions that the French Government views nationalised companies as instruments of industrial policy have also been fuelled by their enthusiastic pursuit of foreign acquisitions. This has unsettled British authorities, which are considering subjecting their future UK takeovers to tighter competition policy rules.

However, it is doubtful for how much longer the "neither/nor" doctrine can contrive to *keep the boundaries of the* state in place. It is imposing increasingly heavy costs on nationalised companies. Denied access to private equity, they have been forced to resort to expensive borrowing to finance ambitious expansion programmes. Furthermore, the policy has already been breached by the partial privatisation of Renault, to enable it to exchange shareholdings with Volvo of Sweden.

Brussels can hasten this process by taking firm action to ensure that nationalised companies do not enjoy advantages which are not available to their private sector competitors. Once it becomes clear that state ownership of industry confers no special privileges its appeal, in France and elsewhere, will rapidly evaporate.

Roger Matthews looks at Cambodia's battle to find durable peace

The Khmer Rouge inheritance

Just over an hour after the start of the 9pm curfew in Phnom Penh on the last Sunday in February, an explosion rattled windows in several buildings in the centre of the city. It was not a big blast by Beirut or Belfast standards, but in the rural silence of the Cambodian capital at night, it was a sharp reminder of political realities, past and present.

Above the shrieking of army whistles and shouts of troops on motorcycles racing down the street, an audience of several hundred edged forward in the darkness, just visible on the balconies of unlit apartments, whispering and watching.

The next morning, yet another session of negotiations aimed at finding a solution to the 20-year Cambodian crisis opened hundreds of miles away in Jakarta, the Indonesian capital.

It was as if nothing untoward had happened overnight in Phnom Penh. One or two people in the hotel thought they might have heard something but they did not wish to pursue the conversation. Officially, there was silence.

On the streets of the city, ubiquitous groups of pleading mothers with unwashed children on their hips began their daily quest for food. Parked nearby, next to a generously-supplied store selling imported liquor, was a Mercedes – one of the rash of new privately-owned cars in Phnom Penh. All around were posters extolling the virtues of the communist system of government imposed on Cambodia just over 10 years ago.

A foreign aid worker who lived for several years in Phnom Penh said, not unoriginally but rather bitterly, that Cambodia was a kaleidoscope. Shake it, view it and decide which picture best suits your preconceptions and prejudices.

The international pace of shaking and viewing has intensified with Vietnam's commitment to, and subsequent unverified completion of, its military withdrawal last September. But the prospects of a durable settlement remain precariously balanced between regional and superpower interests, the situation on the battlefield in Cambodia and the for-too-long untested attitudes of the Khmer people who ultimately have to be reconciled if the country is to have any chance of a peaceful future.

At the heart of the issue is the Khmer Rouge and the past and present members of that barbaric organisation. The mass killings and widespread deprivation perpetrated by Pol Pot and his accomplices between 1975 and the end of 1978 rate high among the worst atrocities committed this century.

They rightly invite deep moral indignation and disgust and it is hard not to agree with those who argue that anyone who held any position of responsibility in the Khmer Rouge during those murderous 44 months should, at the very least, be forever barred from public office.

The Khmer people will ultimately have to be reconciled for a chance of a peaceful future

This, like many sound principles, is difficult to sustain in the face of practical politics, especially when some issues have changed so little in the past 11 years.

The rifts which split the then rampant Khmer Rouge in 1977 and 1978 are much the same ones which prevented progress at the peace talks in Jakarta. One of the main divisions between past and present Khmer Rouge remains the relationship between Vietnam and Cambodia. When the maniacally-nationalist Pol Pot and his grassroots supporters from south-west Cambodia began to turn against their colleagues from the east of the country in 1977, it was over links with Vietnam – as if Hanoi had never been the main provider and supporter of the Khmer Rouge in previous years.

The men whom Pol Pot then wished to purge included Mr Heng Samrin, whom Vietnam subsequently installed as President after its invasion and Mr Hun Sen, the present Prime Minister.

Some Cambodians found it particularly ironic that the peace talks in Jakarta should founder on the dispute between Mr Khieu Samphan, a long-serving Khmer Rouge leader, his former associate Mr Hun Sen and Mr Nguyen Co Thach, the Vietnamese Foreign Minister, over the use of the word genocide.

"It is hard for us to accept that it is these men who presume to decide the fate of our country," commented one elderly Cambodian. "There is much more to this country than the choice they are offering."

It also underlined something which seems intolerable from a distance but which is difficult to escape in Phnom Penh – that there is unlikely to be any durable solution to the Cambodian problem which sets out *to exclude* the Khmer Rouge.

"We all know that you cannot pretend they do not exist," said a Cambodian, now resident in Australia, who returned for the first time since losing three close members of his family and fleeing across the border into Thailand in 1979. "Of course we hate the Khmer Rouge – all of them. Look what they did to my family and friends. But they are still there. The Vietnamese defeated the French and the Americans but even after 10 years they could not beat the Khmer Rouge. I do not like it and people abroad may not believe it, but the Khmer Rouge does still have some support here."

Cambodians and diplomats in Phnom Penh cite four main reasons for this phenomenon. First and most important, the military and financial backing of China which is determined that its old enemy Vietnam should not benefit from its 1978 invasion.

Second, the discipline and commitment that the Khmer Rouge still imposes on and extracts from its soldiers.

Third, the responsive chord its virulent anti-Vietnam rhetoric strikes in parts of the country. And fourth, the Khmer Rouge exploitation of the *again-widening divergence* between a small, relatively affluent minority in the cities and the mass of rural poor.

An aid worker with considerable rural experience said there was evidence that in areas where the government presence was thinly spread, the Khmer Rouge had for some months been offering farmers more cash for their rice crop than the central government.

"Some farmers are so close to starvation they will support anyone who seems to improve their chances of survival," he said. "In the countryside there has always been this suspicion of the cities. The Khmer Rouge exploited it very effectively in the early 1970s and they are doing so again now."

A close colleague of Hun Sen admitted that he was fearful that while the Government might win the war, it would lose the peace if soaring inflation were not soon brought under control. He also implicitly referred to the sharply-widening gap between the official value of the riel and the free market rate, the widespread accusations of corruption and the allegations of mismanagement of state funds.

In Brussels last month, more than 30 foreign non-governmental organisations appealed for a big increase in international aid for Cambodia while some of their staff were expressing their concern about the diminishing proportion of funds which actually reached the intended destination.

Recent visitors to the main hospital at Battambang, Cambodia's second-largest city which receives most of those wounded fighting the anti-government forces in the north-west, said they were less shocked by the appalling conditions they found there than by the almost total absence of medical supplies some three weeks after two large shipments were unloaded in Phnom Penh.

"We can only presume that most of it went straight onto the black market," said one doctor. "If I want to operate, I suppose I shall have to go out on to the street and buy back what was sent to me."

Officials say that plans are being prepared to crack down on racketeering, to force state enterprises to hand over profits to the government, to restore confidence in the currency and to improve the morale of the armed forces. There have been several reports in the past months of ill discipline among troops protesting at poor conditions and pay levels of less than $1 a week. An official said the curfew in Phnom Penh had less to do with security than to remind people that the country was at war.

After the failure of the international peace conference in Paris last August and September, there was a tacit and deeply-cynical assumption that the warring factions would use the subsequent six-month consultation period to intensify the fighting in a bid to strengthen their hands at the next negotiating session.

The Khmer Rouge, together with the smaller non-communist guerrilla forces of former Head of State Prince Norodom Sihanouk and those of former Prime Minister Son Sann, have succeeded in slightly broadening the strip of territory they control along the border with Thailand.

But despite all the deaths, casualties and wildly-exaggerated propaganda on all sides, the fighting has done nothing to bring a solution nearer and the deadlock remains. The suffering has only reinforced the obvious – that there has to be a politically-negotiated settlement. There are grounds for modest optimism, especially in the longer-term international context.

China and Vietnam, two of the most rigidly-orthodox remaining communist governments, must be affected by the huge changes in international relations caused by events in the Soviet Union and eastern Europe. Vietnam, in particular, will increasingly need to offset reduced economic and political aid from the Soviet Union by removing the final obstacles to improved relations with Europe and ultimately the US.

Some Western diplomats also believe that China is now prepared to disengage from the Khmer Rouge if it can be done without loss of face and in a way which denies Vietnam a future role in Cambodia.

In addition, a huge amount of work has been done internationally, especially by the Australian Government, which helped encourage a new impetus for a settlement among the five permanent members of the UN Security Council, by setting out in detail the range of practical options open to Cambodia. The five – the US, Soviet Union, China, France and Britain – agreed, on the basis of the 153 pages of proposals from Canberra, that a provisional UN authority should administer Cambodia and organise free elections. This was a significant step forward although still a long way from being accepted by all four warring Cambodian factions.

Other problems remain, not least how to secure a cessation of hostilities. However, this level of international diplomatic activity has triggered among some Cambodians a flurry of speculation about the possible line-up of competing political parties: whether Hun Sen's considerable political talents could offset the handicaps of his past; whether the temperamental Prince Sihanouk is still relevant 20 years after his overthrow; whether the Khmer Rouge could possibly poll more than 10 per cent of the vote; and, perhaps most enthusiastically, whether there is a real possibility of a fifth force emerging, centred in part on Cambodians returning from overseas, around whom a natural majority would form.

Much of this is, at best, very premature. But it has been stimulated by the Vietnamese withdrawal which has heightened the sense of change in Phnom Penh while also creating the impression of drift.

Some believe Vietnam and China are prepared to disengage themselves from the Khmer Rouge

"Since the Vietnamese pulled out it has been very difficult for Hun Sen to develop much sense of national purpose, other than by playing on the spectre of the Khmer Rouge," a Phnom Penh diplomat said. "But as *most people do not think that* this Government stands any chance on its own of defeating the Khmer Rouge, there is not too much enthusiasm to get involved in the fighting."

The eventual goal seems clear enough to many Cambodians. The task for the international community is, as ever, to persuade the Chinese and the Vietnamese that it is worthwhile to head in that direction.

OBSERVER

US begins to notice

■ The survivability of Margaret Thatcher as Prime Minister is finally being questioned in one of the places where her reputation has been highest – the US.

There has been an increasing number of press and television reports about her problems in the past week or so. The trigger was the disturbances at Town Halls over the poll tax, which make striking pictures and perhaps touch an American populist note.

This follows a long period when the Tories' problems were brushed aside. Nigel Lawson's resignation was a one day wonder, partly because US commentators – brought up on a presidential system – do not see much difference between a Chancellor of the Exchequer and an adviser, like Sir Alan Walters, who also resigned. Interest, however, is picking up.

Some of the comments have been plain silly. For example, here is Paul Craig Roberts, a former Reagan administration official: "The male chauvinists in her own party are *ganging up on her*. They claim that now that the country is on its feet again, it's time to have a proper man at the helm. To force her out, her fellow Tories are acting out a series of events planned to embarrass her. The British media are, of course, anti-capitalist, and are very grateful to the scheming Conservatives for the opportunity to bring down the most popular Prime Minister since Winston Churchill."

More serious analysts in Washington are just beginning to think of what a Heseltine, let alone a Kinnock, administration would mean. There is some awareness of the shift in Labour's defence policy. And, with the changes in East-West relations, there is an acceptance that a defeat for Thatcher would not fatally undermine the US position in Europe. There have even been one or two suggestions that her departure would smooth the political changes in Europe.

Nevertheless, Thatcher so much personifies Britain for the US public, and most politicians, that her resignation or defeat would have a profound effect in the US – raising previously unasked questions about the nature of Britain's revival during the 1980s.

John Smith, the Shadow Chancellor, will be in Washington during the Easter recess. He can expect some tough questions, but at least he will be noticed.

Rugby cycle

■ I was sorrier than I expected when England lost the rugby match against Scotland at Murrayfield on Saturday. This was because one is so unused to seeing England doing anything so well as when they were playing rugby earlier this season that one wanted to go on savouring it for a while longer. It was arrogance that threw it away. If they had kicked for goal when they had penalties, instead of going for fancy tries, they might well have won.

All of which makes one reflect on the shortness of the cycle: from almost bottom to the top within a few months, then to lose the crucial match. At least the economic and political cycles last longer, even if the end result is the same.

Drexel man

■ Hong Kong's drop out from the Drexel Burnham Lambert collapse, Marc Faber, has bought out the US firm's local branch, which he used to head, to pursue his own junk-oriented ideas.

An eccentric Swiss-born analyst in his 40s, with a local reputation as *Dr Doom*, Faber intends to look for under-valued stocks at the bottom of the heap which should (or could?) improve in time.

"I'm thinking of an Asian country like Sri Lanka where stocks are unbelievably cheap for political and economic reasons, or some heavily undervalued Hong Kong industrial equities," he said yesterday.

Instantly recognisable (from the rear) on Hong Kong's social circuit by his pony-tailed hair style, Faber intends to avoid commodities which he says are too risky. He is highly critical of Drexel's Michael Milken, who left the firm with "no friends". But he sees "nothing wrong with the junk bond concept, providing you don't buy too much".

Faber earned his Dr Doom label by forecasting the 1987 world markets crash, and by usually recommending clients to sell rather than buy. His Drexel buy-out – temporarily called Swiss Asian Investment Consultants – will provide a range of brokerage and investment services. But the present doom-laden advice is simple: "There is no hurry to buy anything – I'd rather stay liquid for one or two years."

"I don't think you're meant to keep your ballot paper as a souvenir, Heinrich."

Out of order

■ One of the problems about establishing democracy in East Germany is the telephone system, or rather the lack of it. It is very difficult to get hold of anyone.

Only 16 per cent of households possess a telephone – compared with 98 per cent in West Germany. International connections are made, if at all, almost by accident.

While (say) British Telecom enjoins users of all nationalities to make use of the long distance lines and "call home" more frequently than is healthy for the pocket, the East German telephone authorities specifically ask their subscribers to refrain from calling long distance. In the front of the East Berlin directory, callers are begged to "be brief".

Not only is the system inefficient; it can be dangerous. *Telephone calls* made during bad weather and storms are attempted strictly at "users' own risk", the Berlin directory states.

And since, in the past, possession of a telephone tended to be a privilege granted by the regime, many of the new democrats do not have one.

Somerville

■ The Prime Minister must at least be pleased by the progress of her old College. Of the four Oxford dons elected to the Royal Society last week, two were from Somerville: Dr Louise Johnson, who specialises in molecular physics, and Dr Carole Jordan, whose field is astrophysics.

Good lunch

■ Henderson Unit Trust Management reports that one of its Funds grew by 42 per cent over five years, and by 243.1 per cent "since lunch".

- and how to face up to it.

Getting paid by your customers is an increasing problem these days. However successfully you combine diplomacy with sheer persistence to get the money in, it can be slow - and stressful, to say the least.

H&H Factors will help you maintain your cash position on an even keel - without compromising your independence, reducing your equity or changing your status with the bank. And without upsetting your clients, either.

We will forward to you up to 80% of the value of your sales invoices, upon receipt. The balance will follow when your clients settle their bills, less our modest, agreed charges.

For many businesses, our service can be entirely confidential and you can choose whichever system suits you best. In 25 years, we have learned the importance of being flexible.

If your cashflow indicates that your company is in need of extra working capital, let's get together and look at your debtor assets. Factoring or invoice discounting with H&H can make them work for you.

To find out more, contact Paul Roots on 01-681 2641.

H&H FACTORS LTD

Randolph House, 46-48 Wellesley Road, Croydon, Surrey CR9 3PS.
Regional Offices in Stockport, Bristol, Birmingham, Glasgow.
FOUNDER MEMBER OF THE ASSOCIATION OF BRITISH FACTORS AND DISCOUNTERS

Welding cultures into world forces

Nick Garnett describes the opportunities and difficulties which face the Anglo-French joint venture of GEC Alsthom

A fashionable view these days is that the most successful bosses and corporate cultures within the newly emerging transnational industrial groups in Europe will prove to be "outsiders" – like the Swedes or the Americans.

In his office, a stone's throw from the Arc de Triomphe in Paris, Mr Pierre Combeau cannot afford to countenance that view. "It is just not going to be true," he says.

Mr Combeau has a lot riding on that rebuttal. For one thing, he is one of three managing directors on the main board of GEC Alsthom, the heavy engineering group which, with sales of £5bn, is the biggest Anglo-French company merger. Put together at the end of 1988 out of the power systems divisions of GEC, of the UK, and the Alsthom subsidiary of Compagnie Générale d'Electricité, of France, the venture's success in welding different cultures and product lines into an effective world force will affect the livelihood of its 80,000 employees and over 100 factories.

For another, GEC Alsthom will be locking horns much more frequently now with one of those "outsiders," Asea Brown Boveri (ABB), its main rival in power station and electricity transmission equipment and rail transport systems. Since its formation in a Swiss-Swedish merger in 1987, ABB has become the world's biggest electrical engineering group. Its insatiable appetite for buying just about any power station equipment manufacturer that comes on the market has created an empire of more than 1,100 companies, 215,000 employees and sales of $25bn (£15.5bn). Though decentralised, the dominant culture in the group is Swedish and the driving force is a Swede – its chairman, Mr Percy Barnevik.

Such mergers always involve some conflict of culture. More than a hint of that is articulated by Mr Jean-Pierre Desgeorges, GEC Alsthom's chairman and joint chief executive and the former head of the Alsthom business which contributed two thirds of the new grouping's overall sales.

Development of managers was poorer in the GEC businesses than at Alsthom, Mr Desgeorges claims. Also, he says, less money was also spent on research and product development than at Alsthom. Mr Desgeorges says that part of the reason for that lack of R&D expenditure was overtight financial control at the centre of GEC.

Nevertheless, Mr Desgeorges says he has excellent relations with Lord Weinstock, GEC's managing director. And he expresses confidence in the new Anglo-French partnership. "This is is going to be a big, new, dynamic company. We will no longer be Frenchmen and Englishmen or German or whatever in the company because of this common corporate culture which is developing. All senior managers have this feeling."

The view is echoed by Mr Jim Cronin, the only British manager on the main board, other than Sir Robert Davidson, former head of the GEC power systems division and now deputy chairman and joint chief executive of the new group. "Things have come together very quickly," he says.

It is tempting to draw two conclusions so far from the formation of GEC Alsthom. One is that if there is still a French "side" in the new group, it must be very satisfied with the structure because the stamp Alsthom has left on the set-up is much bigger than that of GEC.

The new group's divisional structure has been lifted from Alsthom rather than from what Mr Desgeorges claims was a less coherent organisation of separate companies within the old GEC power systems division. The new group's headquarters is in Paris. Its chief executive is French. Two of the three managing directors on the main board are French and out of the heads of the group's seven divisions and two main operating subsidiaries, seven are French.

The other conclusion is that the French "side" must be exasperated with events in the UK power engineering market. When merger talks got under way between Mr Desgeorges, Sir Robert and Lord Weinstock, the UK power station market was looking attractive. Three big new coal fired stations and three nuclear ones were on the way and GEC looked set to get a chunk of that work. Instead, these projects, bar one, were shelved on the back of electricity privatisation. In the new, highly fragmented UK scene, gas turbine technology – for which GEC Alsthom does not have a long track record for big power stations – has emerged strongly, along with foreign competition. Siemens, of West Germany, competing with GEC Alsthom, recently won the first large, non-nuclear power station contract in the UK for a decade – the £350m gas-powered 900MW station at Killingholme, Humberside.

For a group which gets 70 per cent of its sales from electricity generation or transmission projects, this has been a blow. It has clearly annoyed the French and British managers at GEC, but French irritation appears stronger. "We have been very disappointed that the UK market has not materialised," says Mr Combeau.

Nevertheless, the GEC Alsthom board stresses that this has not affected the rationale for the merger. "We never thought we would avoid foreign competition. It is a fact of life," says Mr Combeau. "It does not change the reasons why we joined forces."

The formation of GEC Alsthom was part of a worldwide shake up in the ownership structure of the power engineering groups. Of the big companies, only General Electric, of the US, and Siemens do not now have a big joint venture partnership.

GEC Alsthom makes a powerful argument for the product and marketing fit between the two former operations. GEC's traditional power station market has been the UK, China, the Far East and South Africa, whereas Alsthom's has been France, North Africa and the Middle East. GEC has been strong in middle size transformers, Alsthom in big and small machines. The UK arm brought switchgear with vacuum technology, Alsthom the more costly, but more sophisticated gas technology. In gas turbines, GEC's Ruston turbine company had machines from 1.6MW to 52MW.

Alsthom also contributed to the group a lot of equipment and capability the former GEC operation lacked. However, a big overlap exists in turbines and generators – core equipment for a power plant. The group has already warned that factory overcapacity here, exacerbated by the troubles in the British power station market, will require plant rationalisation, starting in earnest next year.

Apart from winning orders and making profits, the success of the group will be measured in welding cultures and extracting the best from pooled resources. Mr Desgeorges says GEC was just about the only option for Alsthom and he is happy with it. "I first contacted Arnold in 1984 but he was not interested in a merger then." Alsthom talked to Ansaldo of Italy (most of which is now linked up with ABB) and with Siemens but, according to Mr Desgeorges, there was no hope of a deal with these. "The Germans say: 'I'm smaller than you, but I want to be the boss.' Siemens wanted 51 per cent. It was impossible. Arnold (Weinstock) was much more flexible."

However, there were, and probably still are, marked differences in behaviour between the two groups. GEC's power systems operation was more profit orientated, Alsthom more sales orientated. In the last full year before merger, the businesses contributed by GEC made a £90m profit on sales of £1.2bn. Alsthom's profit of FFr54.5m (£57m) was much smaller but on sales double at FFr28bn.

Alsthom, according to Mr Desgeorges, spent 3-4 per cent of sales on R&D, GEC 1-2 per cent. Another big difference was relationships with the outside world. "Alsthom had made its mind up to become a fully European company, though centred in France, long before the merger," says Mr Cronin. GEC had not developed that view of Europe, but had a much stronger network of operating companies outside Europe.

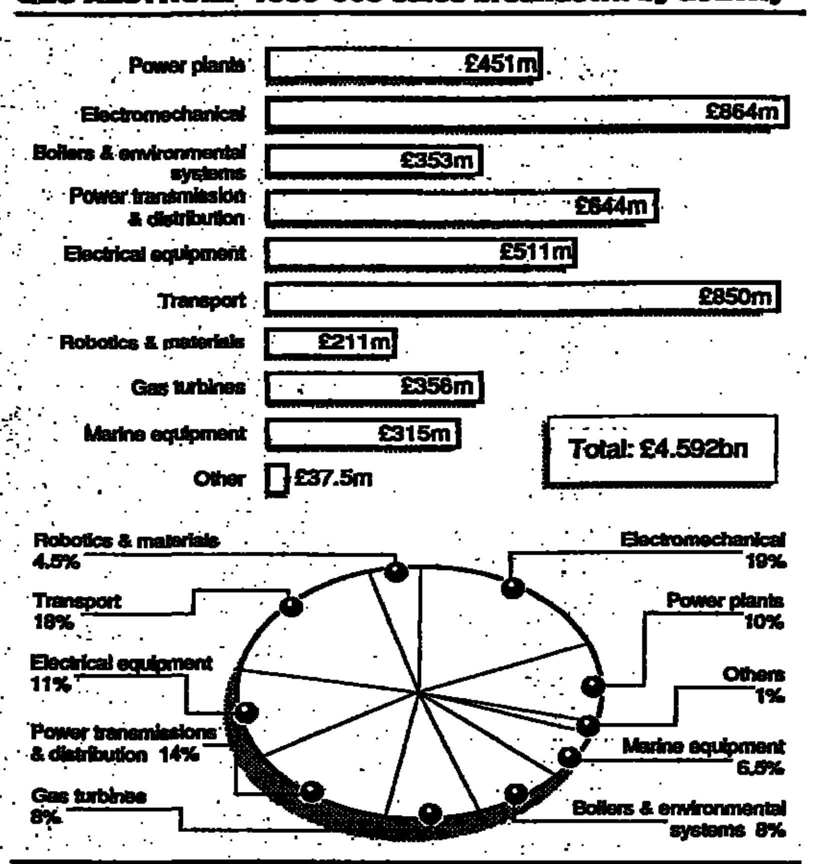
GEC Alsthom directors say that senior managers have taken to the concept of the new grouping, but concede that further down the structure has been some personal resistance to the changes. English and French are both accepted as the company's "language," but this probably comes easier to the French. Most of the Frenchmen on the board are comfortable speaking English. Neither of the two Englishmen on the board speak French though they are learning.

GEC Alsthom still faces one strategic decision. It thought it had found a North American arm when it agreed to merge with Combustion Engineering, (C-E), of the US, last year, but the deal fell through at the last minute. Some kind of deal between GEC Alsthom and General Electric cannot be ruled out. The US company already has a 10 per cent stake in a new gas turbine business set up by the Anglo-French group.

The two outside factors that will shape GEC Alsthom's performance are the success or otherwise of its competitors and the flow of orders. The Anglo-French group believes that in power stations, the Japanese trio of Mitsubishi, Hitachi and Toshiba could become more competitive. As regards ABB, whose acquisition methods he describes as "brutal," Mr Desgeorges wonders how that group can absorb all its buys.

As for orders, GEC-Alsthom is loaded for many years with work on new train systems, including the TGV high speed train and Channel tunnel equipment. It believes prospects for gas turbine stations are good, that demand for switchgear and transmission equipment worldwide will begin rising steeply within five years and that it will get some of the big power station contracts in the Third World. It has still to prove itself, though, as a supplier of big gas turbines for power stations, and a lot depends on the newly introduced 212MW machine – the world's biggest. How well GEC Alsthom exploits these opportunities will depend in large part on its ability to weld together two very different corporate cultures.

GEC ALSTHOM: 1989-90e sales breakdown by activity



LOMBARD

Time to cheer up about the Mark

By Samuel Brittan

AS SOON as it became clear that eastern Europe was rejecting not only totalitarian political rule but collectivist economics as well, a grudging note crept into some western reactions, especially in relation to Germany.

Yet those of us who have walked past the gruesome museum just before Checkpoint Charlie, dedicated to fugitives who were shot trying to escape from the East, should rejoice over the demise of that regime and the forthcoming unification of the country.

Not only did the former communist regimes have an abysmal record in relation to both freedom and prosperity. Their performance was also dreadful in areas such as environmental and pollution control, where there is a difference between private and social cost, and where textbook economics might expect socialist economies to have an advantage.

The grudging attitude to the changes in Europe is not confined to the Left. Nowhere is this more apparent than in the imminent prospect of German monetary unification. We were previously told by the Thatcherite camp that the large Federal German payments surplus and low rate of inflation – compared with the position in Britain – made it impossible for Britain to join the EMS. The same sources now tell us that the vulnerability of the Mark and the likely inflationary forces arising from unification make it undesirable. Whatever happens to the German – or any other – economy is presented as a reason for Britain not joining.

Obviously there will be plenty of hurdles to overcome in monetary unification. But the pessimism is being overdone, even by some in the Frankfurt business community. In terms of population, East Germany will account for between a quarter and a fifth of the whole country. The integration task is less than that accomplished at the inception of the Federal Republic when millions of refugees came from the East. The Bundesbank is confident that the rate of inflation can be held to an annual average of 3 per cent over the next few years.

The one-for-one conversion rate for East German Marks, supposedly offered by Chancellor Helmut Kohl, has been used to frighten the faint-hearted. It will look very different when we know how much East Germans will be able to convert straight away at that rate. But even if the worst came to the worst, the value of money balances in the East are only some 15 per cent of those in the Federal Republic and represent a similar proportion of output. The Bundesbank should be able to prevent these having an inflationary effect with normal monetary tools.

The most worrying problems concern wages, industry and public finance. If real wages are set too high, many jobs will be lost and investment will not be attracted. If they are too low mass emigration will continue. East German wages are about 60 per cent of the West German ones, if converted at par while the productivity ratio is somewhat less. The West German unions are predictably behaving as false friends by demanding wage equalisation. Fortunately, the influx of immigrants will weaken the unions and other influences making for wage rigidities – another reason why the end of the Wall is not universally welcome.

The Brookings Institution suggestion ("Counting the cost of German unification," FT March 15) for an East German pay subsidy points in the wrong direction. For enterprise there needs to break with the habit of looking to the state for solvency, not encouraged further.

The required investment is likely to be financed by running down capital exports and using German savings to finance all-German investment, public and private. The counterpart will be a running-down of the payments surplus which Barclays expects to be eliminated within two or three years.

Main-stream international economists have always urged this and have no right to be surprised if it means higher world interest rates – which are in any case a small price to pay for the advancement of freedom and prosperity.

LETTERS

A supply side answer to East German problems

From Mr Hans-Helmut Kotz and Mr Dieter Wermuth.

Sir, Politics in Germany have been more or less pushed along by those voting with their feet and leaving the East on the brink of economic collapse. Stopping the outflow to the West is thus the top political priority.

We believe the solution must involve a supply side response, with markets that provide incentives and competition. Only thus will resources be used economically and will people be provided with the goods they desperately want. We should like to make a straightforward proposal for the change to a mixed, western-style economy.

Let us take the name Volkseigene Betriebe (people's owned companies) literally. Since individuals in East Germany have been deprived for four decades by an utterly inefficient set of economic institutions, they should be compensated by receiving property rights in the state-owned Kombinate now to be privatised.

Such a reallocation of property rights from the state should be conducted on a household basis. Since many Kombinate will quickly flounder once exposed to real competition, households should be given a basket or a market index of participation rights rather than just the shares of the company where they work.

From the start, these should be made individually tradable on stock exchanges. This would make available the manifold instruments of capital markets for economic restructuring, especially for the divestiture of the clumsy Kombinate. Shareholders who see good earnings potential from their stocks through changes in management policies would stick to their initial endowment of property rights or try to increase it. Others might want to sell and raise money for consumer goods.

Buyers might include Kombinat managers seeking to invest through leveraged buy-outs in their own abilities. They could use their own property rights as collateral. If this happened soon, East Germany would be a much more attractive proposition – real wages are still low, the willingness to work hard would be high, and prospects for a sound return on investments would be good. This should attract foreign interest and much-needed capital and knowhow.

However, this runs into the emotional, politically sensitive idea of a sell-out to the West. For the public, it seems important whether a company is owned by natives or foreigners. Against this, enlightened reasoning usually states that individuals evaluate companies in three ways. As investors, they want profits. As workers, they want a decent living. And both have to respond to consumers looking for sound products.

There is a sell-out going on in Spain and Portugal and the Spanish and Portuguese love it, because the resulting capital inflow has led to some of the world's highest growth rates. Who still recalls that the US was sold out to the British in the 19th century?

Hans-Helmut Kotz,
Chief Economist,
Deutsche Girozentrale,
Dieter Wermuth,
Managing Director,
Manufacturers Hanover's investment bank,
Frankfurt, West Germany

Adam Smith and site value rating as a poll tax alternative

From Mr Fred Harrison.

Sir, Whereas others have quoted and counter-quoted Adam Smith on the poll tax (Letters, March 15), no one has yet noted that he identified ground rents as the most appropriate source of revenue for government.

These, he wrote, were "... a species of revenue which the owner, in many cases, enjoys without any care or attention of his own.

"Though a part of this revenue should be taken from him in order to defray the expenses of the state, no discouragement will thereby be given to any sort of industry.

"The annual produce of the land and labour of the society, the real wealth and revenue of the great body of the people, might be the same after such a tax as before.

"Ground-rents, and the ordinary rent of land, are, therefore, perhaps, the species of revenue which can best bear to have a peculiar tax imposed upon them." (Wealth of Nations, Book V, Chapter II.)

Site value rating will surely be one of the contenders in any search for an alternative to the poll tax.

Fred Harrison,
Centre for Incentive Taxation,
177 Vauxhall Bridge Road, SW1

Law needed to curb excessive pay increases for directors

From Mr A.C. Duncan.

Sir, Is it not time for legislation to control the excessive increases which directors of public companies are prone to award themselves?

It would appear futile for governments to try to persuade employees to accept rises below the rate of inflation while condoning directors' salary and bonus package increases which outstrip not only inflation, but also their companies' earnings growth.

A simple formula could limit annual increases in total remuneration for directors of public companies to not more than the average annual increase in their companies' earnings over the previous three years. No increases would be permitted if the immediately prior year showed a loss or a drop in earnings.

To cater for special circumstances, this limit could be waived by a proxy vote of shareholders in which, say, at least 60 per cent agreed.

Such a measure would go a long way to convince union members that not only the rank and file have to suffer wage restraint.

A.C. Duncan,
19 Cork Street,
Belize City,
Belize

Mr Scargill and the political outlook of the NUM leadership

From Professor Brian Towers.

Sir, I have no wish to prolong the correspondence on the 1984-85 miners' strike, but it is difficult not to respond to Mr Franklin (Letters, March 12) who equates the NUM leadership and its political views with those of Mr Scargill on the basis of a 1975 interview.

First, the now famous New Left Review interview of June 1975 was seven years before Mr Scargill was elected president of the NUM. That does not necessarily mean that time changes one's view of the world, but at least it has to be taken into account.

Second, Mr Scargill is not the NUM leadership. He was, and is, one of a group of three senior officers, part of, and responsible to, the union's national executive. The executive also reflects the views of the NUM area officers and those who elected them. The NUM is a federal structure and even today, five years after the strike, the national union remains impoverished relative to the areas.

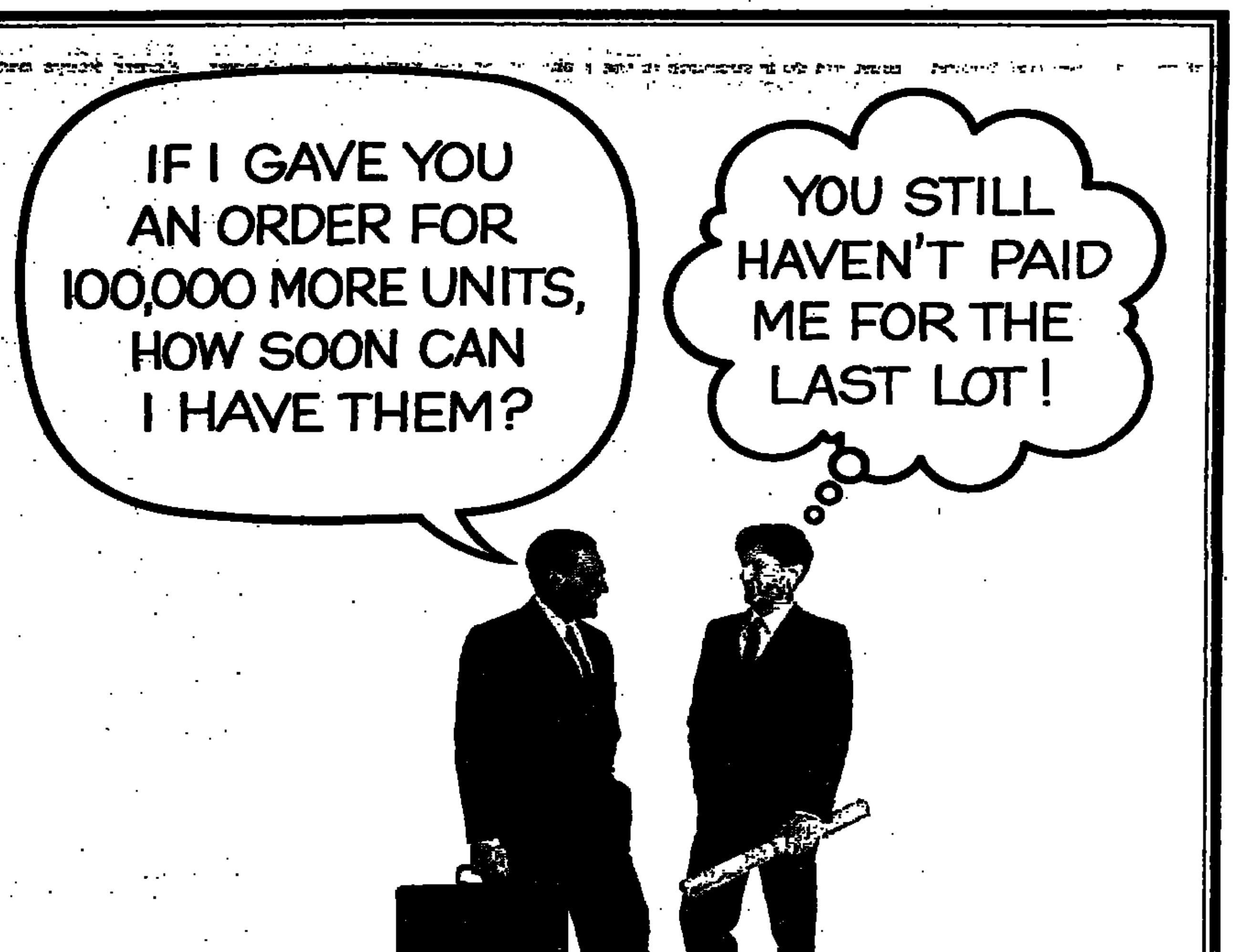
It cannot be denied that Mr Scargill had substantial influence within the NUM, given the executive's predominantly left ideology and especially after his overwhelming victory in the presidential ballot. However, even then he did not constitute the NUM leadership by himself.

Thirdly, and in relation to the membership, the NUM has for long been addicted to delegate conferences and regular balloting. While this may be used to serve the leadership it can also constrain it.

For example, it is probable that the mass of the striking miners, and their wives, had no wish to overthrow anything – much less the state. Their strike aims were succinctly summed-up in the slogan "Coal not dole." They were defending their jobs and communities against the Coal Board's commitment to an early and extensive closure policy. Why was that a threat to the state?

Finally, assuming the NUM had "won" in 1985 (whatever that would have meant in terms of an agreement) would that have ushered in a government with revolutionary ambitions? If Mr Franklin believes that...

Brian Towers,
Editor,
Industrial Relations Journal,
University of Strathclyde,
Glasgow



With International Factors you can say yes to more business.

It's the old, old story.
Customers expect you to pull out all the stops to process their orders quickly, then seem to lose all sense of urgency when it comes to settling their account.
And delays in payment can be costly.
With cash flow problems and high interest rates you can't develop your business as quickly as you'd wish.
However, with International Factors behind you your cash flow will improve dramatically. And you'll have a much brighter future in front of you.
Unlike most factors, we'll pay up to 85% of your sales invoices immediately with the remainder when your customer pays.

We'll look after the administration of your sales ledger so you can concentrate on running your business. We can also provide you with 100% protection against bad debts.
With 11 offices throughout the U.K. and 25 associated companies worldwide, we can look after your needs both in the U.K. and internationally.
That's another reason we're retained by so many of the country's most successful companies.
It all adds up to the fact that we have the experience, the facilities and resources to tailor our services to a client's individual requirements.

Find out what we can do for you by calling David Richardson at International Factors on 0273 21211 or Freefone 0800 521371.
We'll show you results – and a commitment that's 100%.

International Factors
The perfect partner for the growing business
A founder member of the Association of British Factors and Discounters.

International Factors Limited, Sovereign House, Church Street, Brighton BN1 3WX

DAI-ICHI SECURITIES
Dai-Ichi Europe Limited: Durrant House, 8-13 Chiswell Street, London, EC1Y 4TQ U.K.
Tel: (01) 588-4872 Telex: 883336 ICHILD
Facsimile: (01) 588-2644
Member of the Securities Association

FINANCIAL TIMES
Monday March 19 1990

01-928 7439
fee
Computer Maintenance and Services

French Socialists riven by power struggle

By Ian Davidson in Rennes

Rivals for power (left to right): Laurent Fabius, Speaker of the National Assembly; Pierre Mauroy, present Socialist Party secretary; Lionel Jospin, former Socialist Party secretary; Michel Rocard, Prime Minister

FRANCE'S ruling Socialist Party yesterday plunged into its worst-ever crisis, at the end of a four-day congress in Rennes, having failed to find a compromise between rival factions struggling for control of the party.

The danger of the continuing party conflict, a pre-cursor to the struggle over who will represent the Socialist Party in the presidential elections in five years' time, is that it could undermine the stability of the minority Socialist Government.

For the first time in its history, the Socialist Party ended its congress without having produced even the facade of a formal settlement between party bosses. Negotiations for the mastery of the party hierarchy reached deadlock yesterday, despite an all-night sitting on Saturday night, and will have to be resumed on Tuesday.

The crisis has been precipitated by the open challenge for the leadership of the party by Mr Laurent Fabius, the youthful speaker of the National Assembly, against the entrenched alliance between Mr Lionel Jospin and Mr Pierre Mauroy, the past and present first secretaries of the party.

All three men claim to represent the mainstream of the Socialist Party, in the tradition established by President François Mitterrand, its effective founder and spiritual leader. But the clash between them constitutes the worst-ever split within the majority Mitterrandist clan in the party, and symbolises the beginning of the post-Mitterrand era.

No attempt has been made in Rennes to disguise the fact that this is a straight-forward struggle for power. Ostensibly the form of a party congress is a contest between different policy platforms but neither Mr Fabius nor the Mauroy-Jospin clan pretended that there were any significant policy differences between them. On the contrary, the main issue at the all-night negotiations which finally broke down at dawn on Sunday was a sharing-out of top jobs in the party hierarchy.

In terms of grass-roots support mustered in the run-up to the congress, the two rival Mitterrandist clans are neck-and-neck with slightly less than 30 per cent each of the votes of party militants. Mr Michel Rocard, the Prime Minister, representing a social-democratic clan on the right flank of the party, lags slightly behind with just under 25 per cent.

Mr Jean-Pierre Chevenement, the Defence Minister who stands for what could be described as left-wing Gaullism, is well down with less than 9 per cent, while Mr Jean Poperen, Minister for Relations with the Parliament, has under 8 per cent.

If no compromise is reached this week between the rival factions, Mr Fabius could decide to go into internal opposition to the party leadership, rather than submit to terms demanded by Mr Jospin and Mr Mauroy. This would be deeply embarrassing for the French Government because the Fabius clan includes eight ministers, including Mr Pierre Beregovoy, the Finance Minister, and Mr Pierre Joxe, the Minister of the Interior.

Mr Fabius' score in the pre-congress canvas was significantly greater than many experts had predicted and at the plenary session of the congress he easily out-shone his rivals, as measured by audience applause. But the congress deadlock suggests that his whirlwind campaign, with its ruthless determination to conquer the party machine for his own presidential ambitions, and its sweeping promises of largesse and party posts, may have upset as many people as it enticed.

At all events, the party crisis now faces President Mitterrand with a serious dilemma of authority and leadership. In personal terms, there is little doubt that Mr Mitterrand's preferred dauphin would be Mr Fabius. But the split which has now erupted threatens to weaken both the party and the Government.

BP to shed hundreds of jobs at London HQ

By Steven Butler in London

EMPLOYEES at British Petroleum's London headquarters will each receive a letter today, followed by a personal interview, in which they will learn whether or not they still have a job with the company.

For more than 1,100 of them, amounting to about 45 per cent of the corporate centre staff, the answer will be "no." Although attempts will be made to find jobs for several hundred elsewhere in the group, up to 80 per cent will be made redundant in the next year.

The job losses are part of a shake-up of BP's system of corporate management initiated by Mr Robert Horton, who became chairman last week.

The programme, called Project 1990, is aimed at reducing bureaucracy to make the company more flexible and responsive in the years ahead.

Although the job losses and the reorganisation are concentrated at the head office, the programme also aims to streamline decision processes throughout the group by decentralising investment authority within BP's four main business streams: exploration and production, refining and marketing, chemicals, and nutrition.

The need for change was confirmed in a survey of BP employees conducted last year, which found widespread dissatisfaction with the company's cumbersome management processes. Employees also said the company had no concern for personal development.

Sir Peter Walters, outgoing chairman, is widely credited with strengthening BP by reducing business streams from eleven to four during his ten years in office. An elaborate system of controls also played a role in restoring BP to financial health.

However, Project 1990 has concluded that BP's complex management systems are inappropriate to a business that has been simplified and have become a burden on the group.

The job losses will be concentrated in office support and information systems. When BP moves this year to smaller offices nearby, these services will be provided for by contractors which may end up employing some of the current staff.

Brazil prepares for reaction to Collor's liquidity squeeze plan

By Ivo Dawnay in Rio de Janeiro

BRAZIL'S business community is bracing itself for a collapse in the black dollar and share prices today as markets react to the fiercest liquidity squeeze in the country's history.

Throughout the weekend, perplexed bankers and businessmen have been at their desks trying to assess the likely impact of of the audacious measures, which effectively froze some $100bn in personal savings and corporate assets.

The package, tabled by President Fernando Collor on Friday, 24 hours after his inauguration, has provoked turmoil within the political and business establishment. Some conservatives have described Mr Collor's measures as an act of treachery to his political allies. By contrast, the new president's left wing opponents have reluctantly admitted that both the liquidity squeeze and punitive new taxes on the rich are far more daring than anything they would have considered.

Under the 220-page plan, citizens and companies are forbidden from withdrawing more than 50,000 cruzeiros ($1,500) from their accounts, or more than 20 per cent of the funds they have in "overnight" or other interest-bearing deposits.

Remaining funds will be held for 18 months, adjusted to compensate for inflation and will attract 6 per cent interest. Only then will they be released in 12 monthly parcels.

The measure aims to put a severe squeeze on liquidity, thereby temporarily eliminating the Government's debt service burden, giving value to the new cruzeiro currency and squeezing out inflation – now at a rate of 85 per cent a month. It is part of a comprehensive programme of changes intended to push Brazil in a single legislative stroke from a centralised command economy towards a highly deregulated market model.

Other measures have included the closure of entire Ministries, the ending of all subsidies and incentives, tough new taxes on financial transactions and personal fortunes, price and wage controls, and a dramatic liberalisation of imports.

All the measures must now be approved by Congress. But few doubt that they will be adopted.

Early opinion polls have shown that 58 per cent of Brazilians approve the plan. Most political analysts believe, however, that its popularity rating will grow markedly as the poor majority of poor people find the rate of price rises falling and their purchasing power improving.

The impact of the measures will fall most on the rich and on the sales of expensive luxury products.

Ms Zelia Cardoso de Mello, the 37-year-old Economy Minister who drew up the plan, says 90 per cent of Brazilians will be unaffected by the blocking of savings accounts.

Businesses will be allowed to pay their wages bills from frozen accounts, but must bid in central bank-organised auctions if they want to convert their cruzados novos, the now-redundant currency, into the new cruzeiros.

Some businessmen believe the impact of the measure will be to create a deep recession.

South Korean shuffle signals a change in economic policy

By John Ridding in Seoul

MR Roh Tae Woo, the South Korean President, announced a sweeping Cabinet reshuffle at the weekend, replacing 15 of the 27 ministers including most of the incumbent economics team.

The reshuffle is the most extensive since President Roh took office in 1988 and follows the formation in January of a broad new ruling coalition between his Democratic Justice Party and two of the three opposition parties.

The most significant changes in the reshuffle concern the economic posts. Mr Cho Soon, the Deputy Prime Minister and the Minister of the Economic Planning Board, is replaced by Mr Lee Seung Yun, a former Finance Minister.

The change in the top cabinet economic post is seen by analysts as indicating a shift towards more expansionary economic policies. Mr Cho Soon has come under criticism for the slowdown in the growth rate of the economy and sluggish export performance. Last year, GNP increased by 6.5 per cent, compared with 12 per cent in 1988. Exports rose by only 3 per cent.

Mr Chung Yong Euy, the new Finance Minister, and Mr Park Pil Soo, the new Minister for Trade and Industry, are also believed to favour a "growth first" policy instead of the emphasis on price stability and more equitable income distribution advocated by Mr Cho Soon and his team. A meeting of the new economic officials will be held early this week to determine measures to stimulate exports and investment.

Analysts said that the reshuffle might also result in the delay of controversial reforms aimed at reducing the concentration of land ownership and forcing the use of real names in financial transactions. Both measures are strongly opposed by the business community, and in particular the large conglomerates, or Chaebol, which dominate the economy.

Despite the extent of the reshuffle, several of the most important portfolios were retained. Mr Kang Young Hoon, the Prime Minister, Mr Choi Ho Joong, the Foreign Minister, and Mr Lee Sang Hoon, Defence Minister, all retain their posts.

The reshuffle also brings into the Government members of the two opposition parties which joined the DJP to form the Democratic Liberal Party. Mr Lee Hee Il, one of the closest aides to Mr Kim Jong Pil, leader of the former New Democratic Republican Party, becomes Energy and Resources Minister, and Mr Kang Bo Seong, a member of the former Reunification Democratic Party, becomes Minister for Agriculture and Fisheries.

However, five of the new ministers, including the new Deputy Prime Minister, are members of the DJP, illustrating its continued dominance in the Government.

Shamir sees off party challege to leadership

By Hugh Carnegy in Jerusalem and Peter Riddell in Washington

THE tortured process of forming a new Israeli Government got under way officially yesterday as US President George Bush came under congressional criticism for undermining the Middle East peace process and contributing to the Government's collapse.

Mr Yitzhak Shamir, the incumbent Prime Minister scuttled by an unprecedented no-confidence vote in the Knesset (parliament) last Thursday, gruffly denied any intention to resign and fended off a weekend challenge to his leadership to win the endorsement of MPs of his hardline Likud Party.

He may face a stronger challenge later, but yesterday the Likud MPs recommended to President Chaim Herzog that Mr Shamir be authorised as leader of the largest party to form a government to succeed the Likud-Labour coalition which collapsed last week over Likud's refusal to accept US proposals for Israeli-Palestinian peace talks.

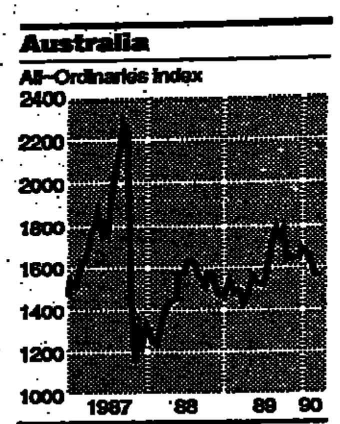
Labour MPs are hoping President Herzog will instead give Mr Shimon Peres, Labour leader, the first chance to try to form a government, despite having 39 seats in the 120-seat Knesset to Likud's 40. Labour is banking on winning enough support from the 18 religious factions to add to small left-wing groups and command a majority in parliament to accept the US proposals.

However, Labour's initial confidence was dented yesterday by the decision of the Shas religious party to tell President Herzog its preference was for another broad coalition led by Likud. This emerged from a tumultuous row in Shas at the weekend. Rabbi Yitzhak Peretz, one of its six MPs, quit the party in protest at Shas' crucial decision not to back Mr Shamir in the vote.

Congressional criticism of President Bush for the US role in the Government's collapse broadened at the weekend to include the Democratic leadership. Senator George Mitchell, the Democratic Majority leader, has accused Mr Bush of making a "heavy-handed blunder" in talking two weeks ago of US opposition to new Jewish settlements in East Jerusalem.

THE LEX COLUMN

Tough times for the lucky country



Australia's business and financial community is approaching Saturday's national elections in a characteristic fit of manic depression. No-one thinks much of Mr Hawke's Labor Administration, but very few want the alternative. The apparent choice lies between a continued downward drift under Labor or a possible crunch, 1980 Thatcher style, under a Liberal (i.e. conservative) coalition. Few want the pain of the latter; of those who do, even fewer trust the competence of the Liberals to turn the pain to economic advantage.

The big economic issue underlying the election is labour productivity. Australia's archaic union practices are blamed for its failure to establish an export-led manufacturing base. But the accord between Labor and the unions has delivered in one important respect: since 1985, average wages have fallen about 2 per cent a year in real terms. Australian recessions traditionally have among their causes a wages break-out. That is not a worry this time; but industry is detectably nervous that a Liberal win might change that.

Basic problems

Although productivity is a genuine problem, it is in one important sense a red herring. Australia's basic difficulty remains the same as ever: that of a Third World export profile combined with a First World consumption pattern. The result is a one-way traffic in added value and an endemic deficit on the balance of payments. But with that deficit now running at nearly 6 per cent of GNP, industrial strategy is a luxury. The instinct is rather to keep banging out traditional exports of agricultural and mineral raw materials in an urgent attempt to close the gap.

The goal of exporting added value may be illusory at a deeper level. BHP, Australia's biggest miner, says bluntly that experience shows its best returns come from selling minerals straight out of the ground. Pacific Dunlop, a notable example of Australian success in international consumer goods, now sells three times as much in Australia as it produces there. It also has further plans for moving manufacture offshore.

The results of all this are painfully evident. Australia's current account deficit is running at about A$20bn, of which at least A$11bn consists of overseas debt repayments. The effect is what is known in local parlance as the boiling frog syndrome. If the frog cannot get out of the water, someone had better turn down the heat.

The present high interest rate regime seems to be doing just that. Business investment last year was up 14 per cent: this year it could be 3 per cent down. New housing was up 5 per cent last year and may be down 12 per cent this year. Consumer expenditure, in marked contrast to the UK, may be the most robust component of demand: up 5 per cent last year, and this year up by perhaps a further 2 per cent.

Earnings outlook

The question, as for the UK and US, is whether this adds up to a hard or soft landing. One respectable view says that a soft landing is never likely in a country with Australia's small population and its traditional tendency never to do things by halves. There is also a widespread and cynical belief that interest rates will go up after the election, whichever party wins.

But the reverse is perhaps more likely: that the currency, which is generally seen as about 10 per cent overvalued against the US dollar, will be allowed to drop instead. Indeed, Mr Paul Keating, Labor's Finance Minister, came very close last week to promising a post-election interest rate cut.

Despite that, the outlook for corporate earnings is scarcely cheerful. For the market as a whole, earnings in the year to June 1989 were up by about 20 per cent. In the current year the figure will be half that at best. In the year to June 1991, counter forecasts envisage no growth at all, either in earnings or in dividends.

But the Australian equity market has some curious features of its own. Since mid-1988, domestic (but not foreign) investors have enjoyed the benefits of imputation tax on dividends. On paper, industrial stocks now yield 6 per cent. For pension funds, even after 15 per cent income tax, the real net yield is around 8.4 per cent. This looks pretty good value in an economy with an underlying 7 per cent inflation rate and a prospect of declining returns on cash.

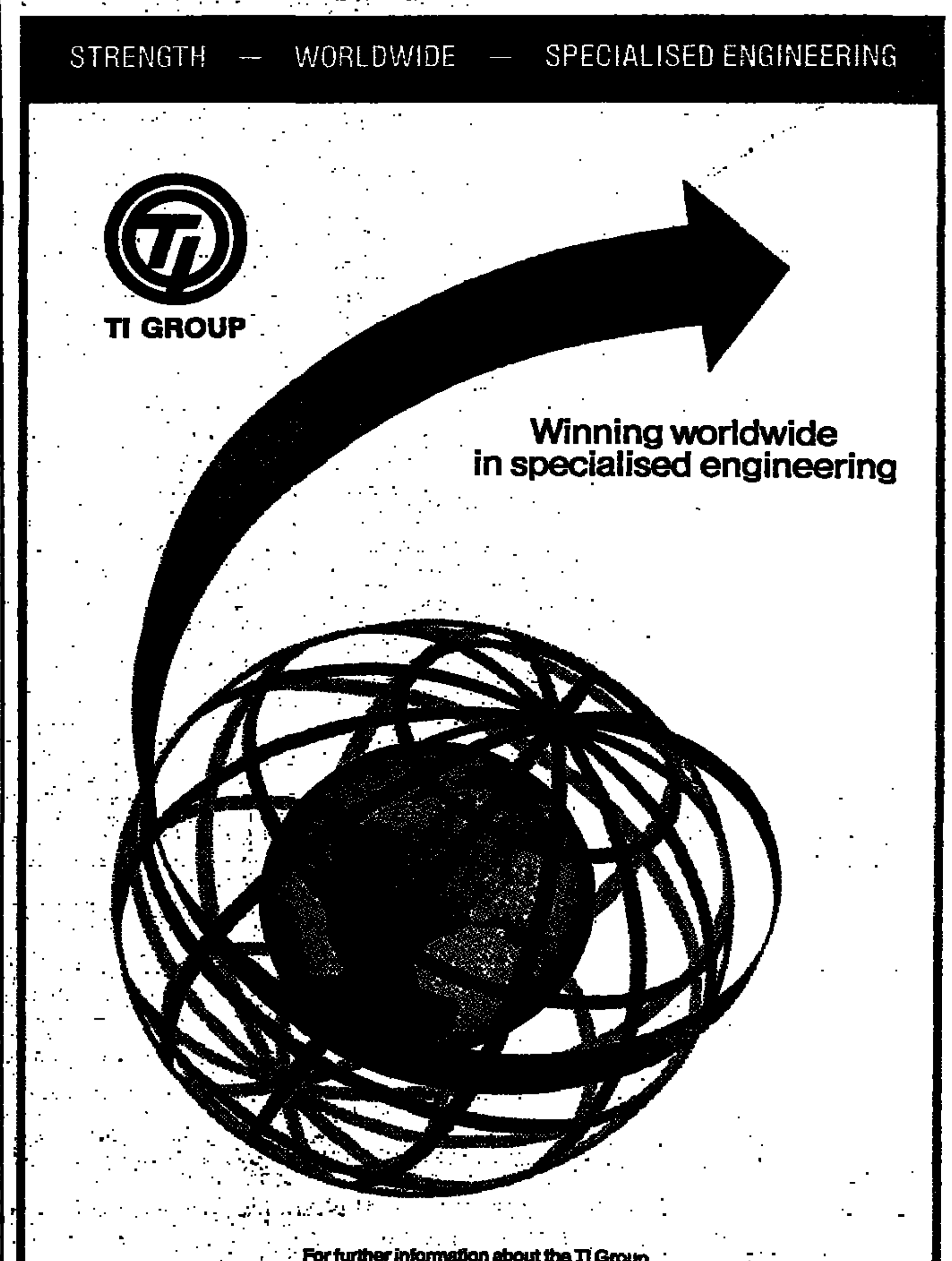
Cash flow

According to one school of thought, a further prop for the equity market comes in projections of institutional cash flow. A striking feature of the Labor-union accord is that national wage bargaining allows for 3 percentage points of wage awards to go into superannuation funds. The figure is due to rise to 4 per cent by May next year, with a union target of 9 per cent by the mid-1990s. The more bullish Australian brokers are thereby led to forecast huge rises in cash flow through to the year 2000.

There are at least three snags here. First, only a small proportion of Australia's A$100bn pension fund industry is covered by the 3 per cent superannuation system. Second, Australian institutions have a habit of switching large chunks of cash flow overseas. Third, and most important, Australian pension funds as a class are at present overfunded to the extent that few are receiving any cash flow at all. Since under the Australian system pensions are paid as lump sums on retirement, the cash outflow is correspondingly abrupt.

For the domestic investor, none of this need matter too much. The historic market multiple of around 11.7 is comfortably below the five-year average. The expected decline in the currency is a net benefit: the mining giant CRA, for example, reckons to make a net A$22m profit for every 1 cent depreciation against the US dollar.

But for the foreign investor, it is hard to see what offsets the long-term currency risk posed by the basic imbalances in the economy. This is especially true if, as seems likely, the resource stocks have already been bid up by the locals in hopes of a currency fall which has yet to happen. Whoever wins Saturday's election, Australia should remain from the outsider's viewpoint as described by its more cynical residents: a wonderful place to live, but a terrible place to invest.



For further information about the TI Group, contact the Department of Public Affairs, TI Group plc, 50 Curzon Street, London W1Y 7PN, England.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
[illegible]															

Soviet Communist Party in disarray

Continued from Page 1

most successfully in the current elections in the main Soviet cities.

Mr Ligachev was careful not to criticise Mr Gorbachev openly. But he denounced "those who participate in anti-socialist movements," and supported a call for "a political testing of party members."

The Soviet President faces a difficult challenge in dealing with the independence movement in Lithuania and the other Baltic republics, without simply aggravating the conservative backlash in the party and the armed forces.

He insisted: "We will act within the framework of the constitution, the law, and with great respect for the Lithuanian people." He accused the Lithuanians of "something decided overnight, in the heat of the moment."

"We shall act responsibly with a view to realising the aspirations of the Lithuanian people from the viewpoint of strengthening their independence and sovereignty – but at the same time within the scope of co-operation with all republics."

His words were in sharp contrast to the apparent threat implied by sudden military manoeuvres in the republic, with a flurry of military transport aircraft taking off and landing at the military airport, according to reports from Vilnius. On Saturday, it was also reported that helicopters dropped leaflets over the city, urging residents to attend the anti-independence rally.

It was impossible to gauge the turnout accurately, with the Ministry of the Interior reporting some 100,000 demonstrators, and Sajudis, the independence movement, claiming it was no more than 10,000.

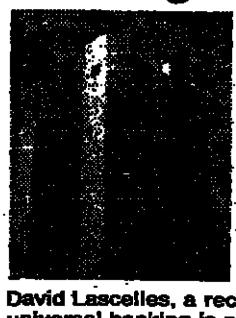
"Improving the productivity of people in the workplace - by design"
Contact Andrew Howard to discuss all aspects of your corporate design problems
Telephone 01 490 1144
Business Design Group

FINANCIAL TIMES
COMPANIES & MARKETS
Monday March 19 1990

SHEERFRAME®
Window & Door Systems for the World Market
L.B.Plastics Limited
Tel:0773 852311

INSIDE

Banking on tradition

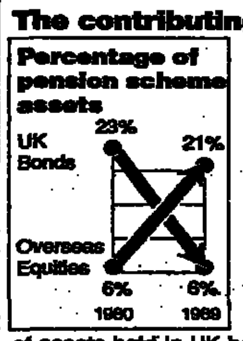


Deutsche Bank epitomises the German pattern of "universal banks", combining traditional banking with corporate finance, securities dealing, and stockbroking. Its recent purchase of Morgan Grenfell seemed an indication that universal banking was on the advance. But, reports David Lascelles, a recent study argues that universal banking is not well equipped to prevail in a genuinely international market. Back Page

It's a fight to the finish

Euroclear, the international bond market's largest clearing house, is in danger of finding itself isolated in a row involving its rival Cedel and the Association of International Bond Dealers. Not only are relations between the two clearers at an all-time low, but Euroclear could be left behind in the race to develop new settlement standards for the Euromarket. Page 23

The contributing factor



Overall, UK companies have stopped paying contributions to their pension schemes, according to a survey by the WM Company, which measures pension fund performance. The survey also shows marked changes in the distribution of pension fund assets over the past decade — including a sharp drop in the share of assets held in UK bonds. Eric Short reports on the pension managers' holiday. Page 22

Quality street borrowing

International banks have burned their fingers in financing high reward but risky transactions and are retreating to quality. As a result, high quality borrowers can easily raise funds on fine terms, even for major acquisitions. Two such deals emerged last week into a market starved for top-name borrowers including a £1.8bn ($2.8bn) credit to finance a complex pubs-for-breweries swap between Grand Metropolitan and Elders IXL, reports Norma Cohen. Page 23

Market Statistics

Base lending rates	31	Money markets	31
Euromarket turnover	25	New int bond issues	25
FT-A World indices	31	NRI Tokyo bond index	24
FT/AIBD int bond svce	24	US money market rates	24
Foreign exchanges	31	US bond prices/yields	24
London recent issues	31	Unit trusts	27-30
London share service	32,33	World stock mkt indices	26
Traditional options	22		

Companies in this section

Berisford Intl	22	Gambro	25
British Dredging	22	Jove Investment	22
Bull	25	Magna International	25
CFAO	25	Mercurius	22
Chloride	22	Pinault	25
Citicorp	25	Really Useful Group	22
Cobe Laboratories	25	Scandinavian Bank Gp	25
Compass Group	22	Sketchley	22
Deutsche Bank	25	Tate & Lyle	22
		Zenith Electronics	25

Perestroika comes to the London Stock Exchange

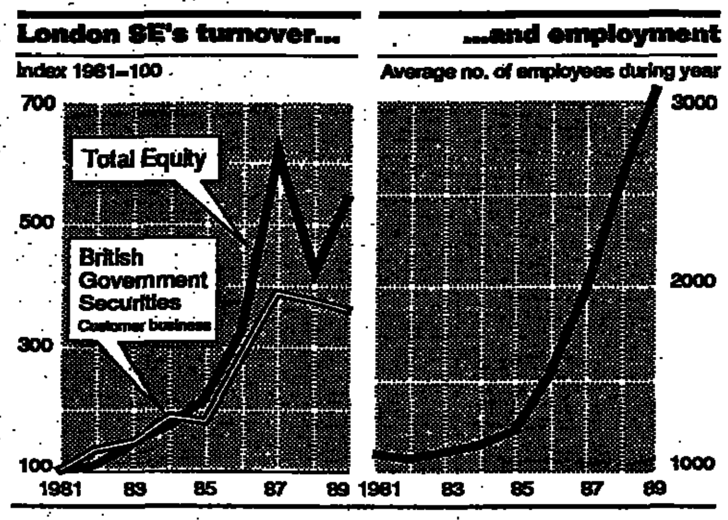
Long-overdue changes will sweep away the LSE's lumbering bureaucracy, reports Richard Waters

Imagine an empire crumbling: its economy in crisis, its outlying regions breaking away, its new leadership demanding more executive power.

No, this is not the Soviet Union, but London's International Stock Exchange. However, the Exchange's fate can usefully be compared to that of a State whose historical relevance is vanishing, leaving a lumbering bureaucracy in the shell of a once-great organisation. Radical change is long overdue.

For the Exchange, the moment of truth has arrived. The market this week faces its own perestroika in the shape of a major reorganisation to breathe life back into the administrative structure, which has become clogged and unworkable. This is likely to be accompanied by two things: a transfer of power from the non-executives who populate many of the Exchange's committees to its executives, and further redundancies to cut the central market's burgeoning cost base.

If that were not enough change for one week, the Exchange's governing council will meet today to discuss a seminal report on the domestic equity market, the largest by far of the Exchange's four markets, following an 18-month review by a committee under Mr Nigel Elwes of Warburg Securities. At the end of this week, the outlines of a new



Stock Exchange should be clear within the decaying form of the old.

There are two main pressures at work on the London Exchange. The first is its own cost structure, which is widely regarded as unsupportable at a time when the UK equity market is suffering a severe squeeze. The graphs above illustrate the steady growth in the Exchange's staff, which last year topped 3,000, having been a meagre 1,246 in 1985.

The Exchange has come a long way from 1985, having developed new markets like those for traded options and international equities. It also has a new electronic market place to support, rather than the old Stock Exchange floor, and it faces a continual need to develop its systems in the face of growing competition.

However, the stockmarket can no longer support these costs. The commissions paid by all stockbrokers' customers last year have been estimated at £500m, ($800m). Compare this to the £180m it cost to run the Stock Exchange in the year to March 31 1989. Securities firms complain that too much of their cash is paying for the upkeep of the central market.

The second pressure at work on the Exchange has been the increase in competition for the services it offers, and the advent of a new, more commercially-minded chief executive. These developments have exposed severe flaws in the Exchange's organisational structure. There are estimated to be anything from 100 to 140 committees at the Exchange, populated largely by brokers in their spare time.

The reporting lines between these committees, the council and the market's executives have got so entangled that no one seems very sure anymore how to get things done.

Much of this is now to be swept away in a restructuring masterminded by Mr Peter Rawlins, who became chief executive last autumn. He has been working on ways of slashing the number and creating a coherent structure into which they could fit.

This is likely to go down well with the market. One experienced committee man, who sits on nine, said yesterday: "The organisation has been far too loose. There are too many people overlapping, and too many dotted reporting lines between committees." He adds: "And with any luck, I will have a bit less to do."

Rawlins: masterminding the restructuring

Attacking the committee structure raises questions about the grandest committee of them all, the Exchange's ruling council. Executives must put all their important decisions to council for the vote. They want more control, while leaving it to the council to agree the overall direction they are taking.

Another force driving this reorganisation has been a demand from the market for greater control over the Exchange's operations. The Elwes report, for instance, calls for a new structure in which each of the four markets would control, and pay for, the services it receives from the Exchange.

The restructuring has already started. Last week, two central divisions responsible for the Exchange's internal systems, employing a total of 90 people, disappeared.

At the same time, the Exchange's settlements division – employing about 700 people – is being turned into an independent unit. The difficulty of achieving this illustrates the depth of the market's problems: according to Mr Rawlins, accounting systems in the past have not even made it possible to tell whether the settlement operation runs at a profit or loss.

These issues, however, mark only the beginning of Mr Rawlins' work. For instance, who should own the reorganised settlement operation? The Exchange has said before that it will yield control, allowing banks a big say. Recent noises from around the market – as well as the Elwes committee – suggest that the thinking may have reversed, and that this particular piece of the empire may not be given its independence. The banks are grumbling about what they fear is an attempt by the Exchange to keep them out. The battle to come could be the first big test for the new Stock Exchange.

Bush launches offensive to disarm the US Congress

By Anthony Harris in Washington

PRESIDENT George Bush continues to baffle his critics (including this columnist) with contemptuous ease.

He gives boring interviews – he is perhaps the only President who has deliberately talked himself off the front page – and his ratings go up. He does nothing about drugs, and his ratings go up. He is cautious with the Russians, and his ratings go up. He admits his limitations – "None of us in this room forecast what has happened in the last few weeks, so why should we pretend to know what will happen next?" – and his ratings go up.

The President mumbles, he gestures, his sentences fall apart and his thoughts appear to be fractured; and it all reinforces the impression of a thoroughly decent man, doing the best he can in a baffling world. The impression is that of W. S. Gilbert's House of Lords, which – as you will remember – "... throughout the war/did nothing in particular/and did it very well."

The fact is quite different – a masterly display of patter, designed to disarm.

And disarming is what he is doing, in every sense. It is now clear that his 1991 budget proposals, which appeared inept when they were announced, and got a bad Press, were, in fact, a good deal more cunning than the popular but deceptive programme he set forward for 1990.

Last year he produced a gesture budget – warm words about education, the drug problem, the environment and his other rhetorical aims, but no funds to do anything. There was a double-take, while the Congress and the public gave a demonstration of the much-discussed American numeracy problem; but after a round of applause, the sums were done; the Democrats cried "Foul" and the President's programmes had rather a bad year on Capitol Hill.

This year this strategy was completely reversed. The Budget was announced just after the full extent of the Communist disaster became clear; but it contained a defence proposal which was little more than a continuation of the real-terms freeze forced on the White House in the previous year. The critics denounced this timid and sluggish response to historic events, the President mumbled about the need to make a proper assessment, and the Democrats in Congress quickly announced their own more ambitious intentions.

It was not so easy for Congress to propose an actual programme, and State representatives were soon quarrelling about whose constituents would suffer any actual cuts; but as the President announced second thoughts, and offered to concede bigger cuts after all, he still looked a bit weak. It is only now, as the debate has been joined in good earnest, that it is becoming clear how thoroughly Congress was dished in the course of this charade.

The key is in the Gramm-Rudman-Hollings legislation, the familiar bill which compels the President and Congress to talk about a smaller deficit each succeeding year (though actually cutting the deficit is strictly optional). This was carefully designed to put equal pressure on the executive and the legislators: if the two sides could not agree on a set of proposals which produced the required deficit, there would be a "sequester" – a set of automatic cuts bearing equally on the defence programme (supposedly treasured by the White House) and the discretionary civil programmes which get Democrats elected. There is not greater master of these rules than the President's budget director, Mr Richard Darman; and it is now clear that he realised quite early in the game that Mr Gorbachev's revolution was going to offer a drastic change in these rules. Gramm-Rudman would become a weapon the White House could use to put intolerable pressure on Congress if, and only if, the first Budget proposals greatly understated the Administration's actual willingness to cut defence.

That was done in January; but it has only been in the last week or two that Mr Darman and other White House aides have unmasked their battery. They now threaten a sequester. They are willing, as they are now ready to explain, to agree substantially bigger defence cuts across the bargaining table that would be imposed by a sequester. But if Congress wants to pursue its own agenda...

This masterly display would be simply humiliating to Congress if that was all; but Mr Darman couples his threat with a face-saving concession, or at least an apparent concession: the Administration is now willing to discuss higher taxes. Congress must still take the initiative, which ensures that any new taxes will not be known to the public as Bush taxes. And they must pass a new test: he will recommend only taxes which encourage growth.

This may appear to make the whole thing impossible, but there are such taxes: one which he chose as an example would be a gasoline tax to pay for better roads. Mr Darman is not a doctrinaire man. He actually wants to find ways to assist needed public investment without encouraging Congress's general spending propensities. He has, for example, floated the idea of a separate budget for public capital formation. He is aware of studies which show that infrastructure investment, especially in transport, does more for productivity that actual plant and equipment. America is lucky that such formidable fiscal cunning is deployed, on the whole, in good causes.

Meanwhile, the President has added a political gloss to this transport question which Mrs Thatcher could study with profit. He has produced his own transport proposals: like his education proposals and his environment programme, they rely on the States or on private industry to find the money. Anything goes, so long as it is off-budget. So it would be the states which could readily impose Mr Darman's hypothetical gasoline tax.

Why is it that when Mr Bush asks local government to raise taxes he gets the applause and they get the blame, while when Mrs Thatcher tries what is basically the same fiscal manoeuvre, there are anti-government riots? It is partly that Mr Bush knows that public spending is popular, but taxes are not.

The President therefore sponsors spending, if it is in good causes. He invites the individual states, which are (like Britain's local authorities) almost entirely run by his opponents, to start up what will become known as Bush programmes to teach the children, clean the water and get rid of drugs. But the odium of finding the money for these programmes will be theirs alone. Mrs Thatcher, whose rhetorical thrift is so fierce that she seems to regard even the best expenditures as wasteful, cannot pull off this illusion.

Economics Notebook: Bank vs State in Italy

Lively debate with a bite

PUBLIC ROWS between government and central bank over the conduct of interest rate policies – politely known as "lively exchanges" – add a bit of colour and fibre to economic debate in the US and in countries where central banks enjoy a large measure of independence. Only in Italy could such a lively exchange be seen as an attack on the freedom of the Bank of Italy to play its part in the conduct of monetary policy.

The story begins late last month when the Bank of Italy's economic bulletin spelled out in one-syllable words that the Government would miss its budget deficit target this year unless early remedial action was taken. Mr Paolo Cirino Pomicino, the Budget Minister who has one of the most active mouths in the Government, responded by hoping that henceforward "monetary policy will be more closely allied to budgetary policy than it has been."

After a lurid series of headlines which implied that the Government's tanks might soon be lined up outside the central bank building on Rome's Via Nazionale, Mr Guido Carli, the Treasury Minister, felt it necessary to issue a communiqué to the effect that the Treasury would defend the Bank of Italy's autonomy and was in complete agreement with prevailing monetary policy.

This might have seemed like political overkill had it not been for the fact that there has been real anxiety at the very highest levels in the Bank of Italy about how its relations with the coalition headed by Giulio Andreotti may develop. The Via Nazionale has never counted the present Prime Minister among its greatest fans and remembers well that Mr Andreotti was a highly passive leader during that awful period in 1979 when Mr Paolo Baffi, the then Governor, was almost imprisoned on trumped-up charges, and the Central Bank's head of banking supervision, Mr Mario Sarcinelli, actually was.

If it had been any other minister but Mr Cirino Pomicino who had regretted the conduct of monetary policy, little more might have been heard. But Mr Pomicino is a close ally of the Prime Minister and is frequently credited with speaking his thoughts.

Thus it was that a lively debate ensued in the columns of Corriere della Sera over whether further legislative underpinning was needed to guarantee the aforementioned autonomy. Yes, said Professor Mario Monte, the plain man's egg-head who is now Rector of Bocconi University, supported by Mr Giorgio La Malfa, the Republican Party leader. No, said Mr Carli, who, as a former Governor of the Bank, has a detailed knowledge of its defences.

A comparison of the relevant statutes, said Mr Carli, reveals that the West German Bundesbank has broader powers to set the nation's discount rate while the Bank of Italy has equal powers to the Bundesbank in its open market operations. In Italy, the discount rate is adjusted by the Treasury, on a recommendation from the central bank. However, as Mr Carli emphasised, the Bundesbank's interest rate decisions are taken collegially by its directorate, but in the presence of a government minister who can suspend any decision for 14 days.

Since all of the Bank of Italy's powers are centred on the person of its governor, Mr Carli implied that his central bank was less vulnerable to political direction than the Bundesbank might be, given that "the make-up of collegial bodies in countries governed by coalitions tends to reproduce the political balance which sustains the coalitions."

But the fundamental problem facing Mr Carli and one which explains Mr Cirino Pomicino's uncomprehending exasperation with the Bank of Italy, is the problem of financing the deficit and servicing the Italian Government's mountain of debt at a time of rising interest rates. Interest costs on the debt rose by 20 per cent last year and are now officially estimated to be running about L6,500bn ($5bn) above the L116-118,000bn previously estimated for 1990.

These alone are enough to make a nonsense of the 1990 deficit objective of L133,000bn, which the Government's latest figures suggest could leap to L147,000bn. In parallel, runaway health and pensions spending is seriously jeopardising the medium-term objective of producing a budget surplus net of interest payments by 1992. This target was set by Mr Carli's predecessor, the amiable and extremely clever Mr Giuliano Amato who has just written a book* on his two years at the Treasury.

The Socialist politician obviously feels that the contribution he made to curbing some spending mechanisms has not been suitably appreciated. But he admits to have been defeated by health and welfare which he says is an easy target at seminars and conferences but highly elusive when defended "by the many interests threatened by change." His recipe is a thorough reform; it is to be hoped he lives long enough to see an Italian coalition with the power to roll back acquired welfare rights.

*Due anni al Tesoro. Giuliano Amato. Il Mulino L20,000.

John Wyles

THIS WEEK

THIS WEEK there is plenty to occupy financial markets. At the top of a long list of events and statistics is the annual budget statement to be presented tomorrow in the UK by Chancellor John Major.

While the financial markets have long been expecting the Chancellor to frame a tight or neutral Budget, the UK gilts market in particular is waiting to hear what changes could be made to funding policy. Any changes would have important consequences for the the size and shape of the government bond market, which has been shrinking while the Government carries a Budget surplus.

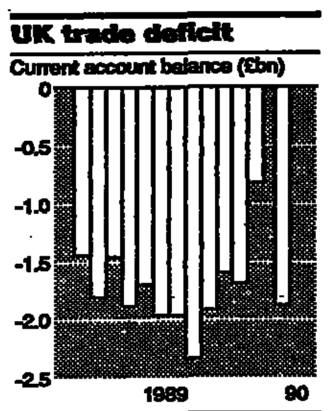
There could be an unfavourable reaction to a Budget which increases taxation. This is because the financial markets do not want a Budget which further reduces the Conservative Government's standing in the opinion polls.

On the same day as the Budget, UK money supply data are released. These are likely to show that the Treasury's target range for M0, the narrow money indicator, is still being missed. MMS International, the financial research company, records the median forecast for provisional February M0 to rise 0.3 per cent on the month and M4 bank and building society lending to rise by £5.8bn ($9.2bn).

The latest inflation news will figure in the retail prices index for February on Friday. Economists are predicting the headline inflation rate to start its climb to nine per cent.

After last week's drama over the vanishing invisible surplus on trade, the spotlight is on the trade deficit again this Thursday. The MMS has forecast that there will be a current account balance of payments deficit of £1.35bn and a visible trade deficit of £1.45bn.

Everywhere else – with the exception of the US – it will be a quieter week. The US trade balance for January, due tomorrow, will be carefully watched. Last December's deficit was the smallest since 1984,



due to the doubling in aircraft exports when the Boeing strike ended. Economists expect some deterioration after the unusually good figure last time.

In West Germany this week, money supply data is likely to be above its target range, as inflows from the international capital markets start to expand the domestic money supply.

Other notable events and statistics, with forecasts from MMS in brackets, are as follows:

Tomorrow: UK, 1990-1991 Budget, provisional money supply figures, February. US, trade figures for January, consumer prices for February, real earnings for February. Japan, money supply figures for February. West Germany, M3.

Wednesday: Holiday in Japan. Australia, real gross domestic product for fourth quarter (0.4 per cent).

Thursday: UK, balance of payments current account and overseas trade figures for February, by-election in mid-Staffordshire. France, foreign trade balance for February.

Friday: UK, building society monthly figures for February, engineering sales and orders at current and constant prices, January, retail prices index and tax and price index, February, cyclical indicators. France, trade balance. US durable goods orders, February.

FINANCIAL WIZARD SEEKS POSITION

Financial Director with over ten years multi-national experience in Europe seeks position with another multi-national company.
Multi-lingual and familiar with all international financial legislation, business practices and cultures. Combining a proven track record with a forward thinking attitude.
Able to take responsibility for day to day running of business systems on a 365 day per year basis.
No sick leave or holiday required and available for work, anywhere, within the month.

Filling the position is Easy.

Qualifications like these would be a godsend to any organisation. But people like this are not exactly thick on the ground.
However, thanks to Sema Group's Easy Software, now they don't have to be. For with Easy you have all the above qualities and can have them specifically tailored to suit your individual company's needs. To help you make decisions wherever and whenever you want.
Because Easy offers a total accounting and business package that crosses the barriers of both language and international business practices instantly.
So you can deal directly with your overseas offices and ensure that when money talks, in whatever language, you know exactly what it's saying.

SEMA GROUP
See us on STAND 77C

To find out more phone the Easy Software Team on 01-240 7292 for a full information pack or fax your business card to:
UK Fax (+44) 1 379 0669 • BELGIUM Fax (+32) 2 512 1499 • FDR Fax (+49) 221 82 99 205
FRANCE Fax (+33) 1 48 777 202 • NETHERLANDS Fax (+31) 2940 13974 • SPAIN Fax (+34) 3 318 1755

Berisford asks Tate to consider rescue bid

By Andrew Hill

TATE & LYLE, the sweeteners group, said yesterday that Berisford International had asked it to consider launching a rescue bid for the troubled sugar and property company.

Berisford, which owns British Sugar, made the approach before it announced the resignation of Mr Ephraim Margulies as chairman 10 days ago.

In the same announcement, Berisford said it was in preliminary talks about a possible takeover, stirring up speculation that one of a number of shareholders or former bidders might be interested. Tate said yesterday that it was the mystery company referred to in the Berisford statement.

However, the company stressed it was not "in talks" at the moment, but was considering how best to react to the Berisford request. Berisford, which has been hit by financial troubles, refused to comment.

If it does go ahead with a bid, Tate is thought likely to seek some sort of agreed deal with Berisford, but there are a number of obstacles to such a takeover.

- The Monopolies and Mergers Commission, which blocked a bid from Tate three years ago, might still consider a takeover against the public interest, because Tate and British Sugar would control 95 per cent of sugar sales. Tate still holds that the MMC should take into account the effect on the European sugar market.
- The level of Tate's borrowings, which are believed to stand at around 120 per cent of shareholders' funds, may make it difficult to finance a takeover.
- Tate may be dubious about the value of Berisford's other operations, such as property and other non-food businesses.

Earlier speculation had suggested that Tate would wait for another bidder to make a move on Berisford, but it is unlikely that the group would want to be part of a battle for control of the company.

The other potentially interested parties – such as Hillsdown Holdings, Ranks Hovis MacDougall, Associated British Foods and Mr Larry Goodman, the Irish agribusinessman – had already distanced themselves from the Berisford statement on takeover talks.

Poser for Really Useful's advisers

By Andrew Hill

ADVISERS to Really Useful Group, the stock market vehicle for Mr Andrew Lloyd Webber's most recent musicals, said yesterday they were puzzled by Mr Robert Holmes à Court's attempt to build a stake in the company, which the composer is trying to take private.

The Australian financier has built up a 4.1 per cent stake in Really Useful, even though Mr Lloyd Webber's £77.4m offer has already won acceptances representing more than 80 per cent of the group's equity. That includes a 17 per cent stake committed last week by Mercury Asset Management's funds.

Mr Holmes à Court, who is believed to have acquired the shares through his privately-owned group, Heytesbury (UK), could not be contacted yesterday. However, one analyst speculated that the financier was trying to "be a nuisance" in the hope of negotiating with Mr Lloyd Webber about the group's copyright or theatre assets.

If he acquired more than 5 per cent he could prevent the composer mopping up 100 per cent of the company compulsorily.

The last attempt to block plans to take a public company private ended in stalemate.

Mr Nathu Ram Puri still holds a 25 per cent stake in British Syphon Industries, a merchanting and manufacturing company which launched a management buy-out in 1988. Mr Puri objected to the buy-out price and British Syphon was unable to delist, but since then the two sides have been able to agree on an alternative solution.

Mercurius lifts stake in Chloride

By Nikki Tait

STEADY stake-building by Mercurius, the Swedish investment company, in Chloride, the UK battery group, appears to have quickened in recent days.

On Friday, Mercurius said that its interest stood at 9.54 per cent. Earlier in the week, it disclosed that it had breached the seven per cent level.

Chloride said on Friday that there had still been no direct contact with Mercurius, which has also been building up stakes in a number of other UK companies recently. "We did offer to meet them, but there was no response," it said.

In Stockholm, Mr Peter Gyllenhammer, who heads Mercurius Gruppen, the shipping, offshore energy, commerce and investment banking group, declined to comment either on the intentions behind the Chloride stake or the perceptible increase in Mercurius' UK listed holdings.

Chloride shares were unchanged on Friday at 37p.

Sketchley management under fire from Compass

By Andrew Hill

COMPASS GROUP, the contract catering, healthcare and building services company, yesterday warned Sketchley shareholders that their prospects were bleak if the cleaning group remained independent.

Compass – potential white knight turned predator – mounted a hostile bid 10 days ago, less than a week after Godfrey Davis, the car-dealing and laundry company, had withdrawn its hostile offer.

The Compass offer document, published at the weekend, criticised Sketchley's management but did not add a cash or convertible share alternative to the original all-share bid.

Mr Gerry Robinson, Compass chief executive, said yesterday: "We are offering a real opportunity for Sketchley shareholders to share in the turnround at Sketchley."

The Sketchley camp, however, said its shareholders would be deterred from accepting by the possibility of a 65.5 per cent decrease in income.

Mr Robinson admitted that many shareholders had kept an investment in Sketchley for its strong dividend yield, but pointed out that the group had been forced to forecast a fall in the 1990 dividend at the beginning of the month.

Mr Malcolm Glenn, Sketchley's chairman, resigned after Compass launched its bid and the group is trying to attract new management in its attempt to ward off the Compass offer. Detailed talks are continuing with one team of company doctors.

At Friday's closing price, the Compass bid was worth some £95m, or 262p a share compared with the Sketchley share price of 278p.

Jove Investment earnings ahead

On earnings ahead from 7.07p to 7.85p in the year ended February 28 1990, Jove Investment Trust is lifting its dividend from 6.9p to 7.65p.

The second interim payment is 4.2p per share.

At year-end net asset per income share was shown at 61.91p (51.71p) while the value per capital share was 91.21p (94.88p).

FT Share Service

The following securities were added to the Share Information Service in Saturday's edition:

BZW Convertible Inv. Trust (Ord. & Units of 5p of Equities Index ULS '96/2002) (Section: Investment Trusts).

Wiltshire Brewery Co. (Beers, Wines & Spirits).

The benefits of taking a holiday

Eric Short looks at the changing patterns of pension schemes

VIRTUALLY every company that announces its results these days reports a massive boost to its profits from the surplus achieved by its company pension scheme.

Indeed, employers overall have ceased paying contributions into their schemes, according to WM Company, the largest investment performance measurement service company in the UK.

Its annual review of UK pension scheme investment performance given last week, covering over three-quarters of schemes by size of assets, showed that new money (contribution income plus investment income) coming into schemes in 1989 was only 5 per cent of the asset values.

This level of new money would be more than accounted for by employees' contributions and investment income. Hence in the schemes measured by WM, employers have ceased paying contributions.

This situation in itself is not surprising.

The annual reviews by WM throughout the 80s highlighted the buoyant investment conditions over the decade.

Last week, WM summarised the overall investment performance of pension funds in the 80s, culminating in record performance in 1989.

Over the decade, the average return by pension funds was 19.1 per cent a year – a return that increases to 20.4 per cent if property is excluded. But last year, the total average investment return reached 30.3 per cent, or 31.6 per cent excluding property.

PENSION FUND INVESTMENTS
Asset Mix (%)

	1979	1984	1987	1988	1989
UK Equities	44	47	54	53	53
Overseas Equities	6	16	14	16	21
UK Bonds	23	17	13	10	6
Overseas Bonds	–	–	1	1	2
UK Index Linked	–	3	3	3	2
Cash/other Investments	5	4	6	6	6
UK Property	22	13	9	10	9
Overseas Property	–	–	1	1	1

The majority of UK occupational pension schemes still pay pensions to employees based on their salary or earnings at or near retirement.

But these pension liabilities are funded during the employees' working lifetime. So those contributions need to be invested and achieve a return at least as high as the rate of earnings growth.

Indeed, the pension scheme actuaries, in their calculations, assume that investment will earn around 2 per cent a year more than earnings growth.

Over the 80s, the earnings index increased by 9.5 per cent a year on average, with the Retail Price Index showing an average rise of 6.9 per cent a year.

Thus pension fund investment managers achieved a real return on their assets of 10 percentage points over earnings growth – comfortably ahead of the actuaries' assumptions. Hence, the resulting surpluses and the ability of companies to take contribution holidays.

The record returns in 1989 indicate that employers can look forward to continuing those contribution holidays well into the future.

The WM analysis highlights the tremendous changes that have taken place in pension fund investment during the 80s.

At the beginning of the decade, pension schemes were just emerging from the highly inflationary era of the 70s, with investment managers barely able to achieve real investment returns.

Investment patterns have changed out of all recognition over the decade.

At the beginning of 1980, pension scheme investment was far more conservative with 23 per cent of assets in UK bonds and 22 per cent in UK property. UK equities accounted for 44 per cent of assets and overseas equities only 6 per cent – exchange controls were only lifted in October 1979.

By the end of the decade, UK equities accounted for 53 per cent of assets and overseas equities another 21 per cent. UK bond investment had declined to only 6 per cent and UK property to 9 per cent.

The change in investment strategy has been justified by the results.

The return on UK equities, despite the October 1987 crash, has averaged 23.2 per cent a year over the decade, while overseas equities have shown an overall return of 21.4 per cent a year.

Against this, although UK bonds have averaged 15.3 per cent a year over the decade, returns have steadily declined averaging 11.4 per cent a year over the past five years and only 7.4 per cent in 1989.

Returns on UK property investment, averaging 13.8 per cent a year over the decade, improved steadily during the 80s, culminating in a 32.8 per cent return in 1988 and a respectable 18.2 per cent last year.

Nevertheless, this has not stopped fund managers from ignoring or even disinvesting in property in favour of equities primarily to boost performance. The decade has not only seen investment managers invest heavily in overseas equities – over 80 per cent of new money last year was invested overseas.

It has also seen managers move into Europe over the past three years, and this now accounts for 35 per cent of their overseas equity portfolios.

The proportion in the US has declined steadily over the decade from 56 per cent to 31 per cent.

Pension funds managers have always been underweight in Japanese equities, often for non-investment considerations – a decision justified on investment grounds last year when the proportion fell to 25 per cent.

British Dredging rises to £4m

PROFITS OF British Dredging rose from £3.06m to £4m pre-tax in the year to December 31 1989, on turnover of £33.66m compared with £31.62m.

Margins, pre-tax to sales, improved from 9.7 per cent to 11.89 per cent.

In accordance, British Dredging announced a 50:50 joint venture with RMC Group, whereby British Dredging Aggregates will pay British Dredging a £2.3m dividend and RMC will acquire a shareholding in BDA for a consideration of £3.8m.

The consideration will be satisfied by the issue of loan notes: and BDA will acquire RMC Group's sea-dredged aggregates business in the Bristol Channel.

RMC is to dispose of 2.65m shares in British Dredging, reducing its holding from 24.08 per cent to 8.9 per cent. These shares will be available to British Dredging shareholders in an open offer on the basis of one share at 135p for every five held.

Any shares not acquired under the open offer will be sold in the market for 135p or more, failing which they will be repurchased by British Dredging at 130p.

British Dredging shares were unchanged on Friday at 141p.

At April 1 1989, RMC Group had a 24.42 per cent holding in the company, Newarthill 22.26 per cent and M&G Investment Management 15.32 per cent.

Earnings last year rose from 12.9p to 14.55p. A final dividend of 4.4p makes a total for 1989 of 7p (6p). Net asset value per share at the year-end was 158p (90p).

BOARD MEETINGS

TODAY

Interims- Alba, Benchmark, IMI, Scholes.

Finals- Acorn Computer, Apricot Computers, Booker, Canning (W.), Carbo, Colorgraphic, Edinburgh Oil & Gas, Evans Halshaw, Fisher (James), Hickson Intl., Linread, Metalrax, RPS, Refuge, Rugby, Scott & Robertson, Sheffield Insulations, Trinity Intl., Tyne Tees TV, Turriff Corp., Wassall.

FUTURE DATES

Interims-

Adwest	Mar. 30
Air London Intl.	Apr. 3
Smiths Industries	Apr. 11

Finals-

Brown & Jackson	Mar. 26
Druck Hldgs	Mar. 29
EW Fact	Mar. 28
Firstland Oil & Gas	Mar. 23
Garton Engineering	Mar. 22
Grampian TV	Mar. 28
Great Southern	Apr. 10
Martin (Albert)	Apr. 19
Radius	Mar. 29
Rosier Engineering	Mar. 28
Singer & Friedlander	Mar. 27

This announcement appears as a matter of record only. March 1990

Ncb AB

U.S. $150,000,000
Euro-Commercial Paper Programme

Dealers
Barclays de Zoete Wedd Limited
Svenska International plc
Swiss Bank Corporation

Issuing and Paying Agent
Manufacturers Hanover Trust Company

Arranger
Svenska International plc

Helaba Finance B.V.
Amsterdam
US$100,000,000
Guaranteed Floating Rate Notes
Due 1996

(Pursuant to the Terms and Conditions, Hessische Landesbank-Girozentrale- has been substituted by Helaba Finance B.V. as principal debtor of the Notes as per 1st December 1988)

(Coupon No. 8)

In accordance with Note conditions, notice is hereby given that for the interest period 19th March, 1990 to 19th September, 1990 (184 days), an interest rate of 8⁹⁄₁₆ per cent, per annum, will apply.

Amount per coupon (No. 8) = US$2,220.14
Payable on the 19th September, 1990
Reference/Agent Bank

LTCB
THE LONG-TERM CREDIT BANK OF JAPAN, LTD.
London Branch

NOTICE TO THE HOLDERS OF EACH OF

NICHIEI CO., LTD.
U.S.$100,000,000 5 PER CENT.
GUARANTEED NOTES DUE 1993 WITH WARRANTS TO SUBSCRIBE FOR SHARES OF COMMON STOCK OF NICHIEI CO., LTD. (THE "WARRANTS A")

and

NICHIEI CO., LTD.
U.S.$300,000,000 2-3/4 PER CENT.
NOTES DUE 1993 WITH WARRANTS TO SUBSCRIBE FOR SHARES OF COMMON STOCK OF NICHIEI CO., LTD. (THE "WARRANTS B")

Pursuant to Clause 4(A)(D) of each of the Instrument dated 9th February, 1988 (the "Instrument A") relating to the Warrants A and the Instrument dated 21st December, 1989 (the "Instrument B") relating to the Warrants B, notice is hereby given as follows:

At the meeting of the Board of Directors of Nichiei Co., Ltd. (the "Company") held on 12th March, 1990, it was determined that the Company issue new shares of its common stock ("Shares") to its shareholders of record as of 31st March, 1990 by way of a free distribution of Shares at a ratio of 0.1 Shares for each Share held.

Consequently, the Subscription Prices of the Warrants A and the Warrants B will be adjusted, effective as of 1st April, 1990 (Tokyo time), in the manner as set forth below pursuant to Clause 3(l) of each of the Instrument A and the Instrument B, respectively.

1. Warrants A
Subscription Price before adjustment : Yen 1,210
Subscription Price after adjustment : Yen 1,100

2. Warrants B
Subscription Price before adjustment : Yen 2,102
Subscription Price after adjustment : Yen 1,910.90

NICHIEI CO., LTD.
By: The Bank of Yokohama, Ltd., London Branch as Principal Paying Agent

Dated: 19 March, 1990.

March 19th, 1990

COMMUNAUTÉ URBAINE DE MONTRÉAL

Communauté urbaine de Montréal
(Montreal Urban Community)
(Canada)

U.S. $150,000,000
Floating Rates Notes due 1991

In accordance with the Terms and Conditions of the Notes, notice is hereby given that for the six months from March 20th, 1990 to September 20th, 1990 the Notes will bear interest at the rate of 8⅞% per annum. The interest payable on the relevant Interest Payment Date, September 20th, 1990 against Coupon No. 13 will be U.S. $447.22 per U.S. $10,000 Nominal.

Agent Bank
ROYAL BANK OF CANADA
EUROPE LIMITED

CCF

Credit Commercial de France
U.S. $250,000,000
Floating Rate Notes due 1997

For the interest period 29th September, 1989 to 30th March, 1990 the amount payable per U.S. $10,000 Note will be U.S. $424.78. The relevant interest payment date will be 30th March, 1990.

Listed on the Luxembourg Stock Exchange

Bankers Trust Company, London — Agent Bank

INTERNATIONAL BusinessWeek

This week's topics:

The U.S. Rush To Invest In Europe
Can Thatcher Survive The Poll Tax?
What's Hurting Florida's Biggest Bank
The Million-Dollar Tennis Baby
Is Jack Smith The Next GM Boss?

Now available at your newsstand!

BusinessWeek International
Headquarter: 14, av. d'Ouchy, CH-1006 Lausanne, Tel. 41-21-617 44 11
UK toll-free number: 0800 288 137

Christiania Bank og Kreditkasse
(Incorporated in the Kingdom of Norway with limited liability)
U.S.$100,000,000
Bull Floating Rate Notes Due 1991

Notice is hereby given that the Rate of Interest has been fixed at 8.2637% and that the interest payable on the relevant Interest Payment Date September 19, 1990 against Coupon No. 9 in respect of U.S.$10,000 nominal of the Notes will be U.S.$422.37 and in respect of U.S.$250,000 nominal of the notes will be U.S.$10,559.17.

March 19, 1990, London
By: Citibank, N.A. (CSSI Dept.), Agent Bank CITIBANK

ECU20,000,000
Christiania Bank
Floating Rate Notes due 1994

Notice is hereby given that in respect of the Interest Period from March 19, 1990 to June 19, 1990 the Notes will carry an Interest Rate of 10.4125% per annum. The coupon amount payable on June 19, 1990 will be ECU26,609.72 per ECU1,000,000 Note.

By: The Chase Manhattan Bank, N.A. London, Fiscal Agent
March 19, 1990 CHASE

ECU65,000,000
Skopbank
Floating Rate Notes due 1992

Notice is hereby given that in respect of the Interest Period from March 19, 1990 to June 19, 1990 the Notes will carry an Interest Rate of 10.4925% per annum. The coupon amount payable on June 19, 1990 will be ECU26,814.17 per ECU1,000,000 Note.

By: The Chase Manhattan Bank, N.A. London, Fiscal Agent
March 19, 1990 CHASE

£200,000,000
MFC Finance No.1 PLC
Mortgage Backed Floating Rate Notes Due October 2023

In accordance with the Terms and Conditions of the Notes, notice is hereby given that the new interest rates and periods in respect of the subject Notes are as follows:–

By: Citibank, N.A. (CSSI Dept.), March 19, 1990 CITIBANK

NewZealandBreweriesFinanceB.V.
15⅝% Guaranteed Bonds Due 1991

The Rate of Exchange, as defined in Condition 5(b) of the above described Bonds, applicable to the March 15, 1990 payment of interest is U.S. $0.5898 for each N.Z. Dollar.

MORGAN GUARANTY TRUST COMPANY OF NEW YORK, Fiscal Agent
Dated: March 19, 1990

FINANCIAL TIMES STOCK INDICES

	Mar 16	Mar 15	Mar 14	Mar 13	Mar 12	Mar 9	1989/90 High	1989/90 Low	Since Compilation High	Since Compilation Low
Government Secs.	77.60	77.62	77.16	76.68	76.88	76.98	89.29	76.68	127.4	49.18
Fixed Interest	86.60	86.47	86.79	86.60	87.16	87.18	99.59	86.47	105.4	50.53
Ordinary	1789.4	1765.7	1758.6	1755.6	1751.8	1763.8	2008.6	1447.8	2008.6	49.4
Gold Mines	285.6	283.5	281.2	283.5	284.0	275.8	378.5	154.7	734.7	43.5
FT-Act All Share	1125.79	1111.78	1107.98	1106.27	1105.46	1110.85	1226.83	921.22	1238.57	61.92
FT-SE 100	2263.9	2234.9	2226.1	2224.5	2222.8	2234.3	2463.7	1782.8	2463.7	986.9

INTERNATIONAL CAPITAL MARKETS

SYNDICATED LENDING

Investors return to big-name borrowers

GUN-SHY lenders, their fingers badly burnt by lending to a wide variety of high-margin shaky credits, now see salvation in old-fashioned low margin, big-name business.

Bankers agree that top-quality borrowers can easily raise funds on fine terms, even for significant acquisitions. Late last week, two such deals emerged into a market starved for top-name borrowers.

A seven-year £1.8bn facility is being establish to fund a complex pubs-for-breweries swap between Grand Metropolitan and Elders IXL. The borrower, which will be the owner of the Tennants pubs, is a special purpose vehicle with limited recourse to GrandMet. The loan, which will be fully drawn before July 1, carries a ⅛ per cent margin that reduces with principal repayments reflecting the sale of certain pubs. Underwriters are Citibank, National Westminster, Bank of Tokyo, Barclays, Lloyds Bank, Midland Bank, Swiss Bank Corp and S.G. Warburg. A presentation will be made this week in advance of syndication.

Also, Rhône-Poulenc, the French state-owned pharmaceutical firm, has lined up a $1.6bn credit line to finance its $3bn acquisition of US-based Rorer. Joint arrangers are Société Générale, Barclays Syndications, Chase Investment Bank and Royal Bank of Canada. Details have not yet been disclosed but the loan is expected to consist of two tranches; one, a medium-term amortising revolving credit and the other a short-term credit line. The entire financing will be senior debt and market sources said the margin on the medium-term tranche may be no more than 17½ basis points.

The loan will be guaranteed by Rhône-Poulenc and, like last year's financing for Pechiney's acquisition of American Can, the documentation is expected to list privatisation as an event of default. Although Rhône-Poulenc is state-controlled, the loan will carry a 100 per cent risk weighting for regulatory purposes.

Although the high-margin takeover mega-deals in loan markets of previous years have dissipated in the fall-out from Drexel Burnham Lambert's demise, bankers involved in mezzanine finance report a steady stream of smaller, sensibly priced deals in the private placement market. "A lot of the transactions we're seeing are small MBOs, which is just about what we want," said Mr Christopher Howe, assistant director of Kleinwort Benson's £83m European Mezzanine Fund.

Also in the market is Investcorp, the Arab-owned investment bank and buy-out specialist, which is seeking a $250m three-year multiple option facility. Evidence of banks' desire to lend to high-quality buyers is seen in the 13 underwriters named for the facility. The margin is 22½ basis points over Libor and it carries a facility fee of 15 basis points.

Meanwhile, Italian borrowers remain active.

Banco di Napoli is running the books on a L400bn 10-year term loan for the agricultural lending sections of four internationally-known Italian banks. The loan, fractionally more finely priced than a similar transaction last year, has an average life of 5¾ years, and an interest margin for the first four years of 17½ basis points, rising to 18¾ basis points for the remainder.

Fintero, the Italian subsidiary of Tampella, the Finnish forest products group, has completed a L60bn five-year amortising term loan. The original financing, arranged by Banco di Roma, was increased from the original L40bn due to heavy oversubscription. The margin is 30 basis points with fees of 10 basis points for a L10bn participation.

Norma Cohen

EUROMARKET TURNOVER ($m)

Primary Market	Straights	Conv	FRN	Other
US$	3,769.6	0.0	122.2	11,986.2
Prev	1,389.9	30.0	219.0	9,016.2
Other	2,236.3	36.1	330.1	5,398.9
Prev	1,047.3	0.0	484.7	3,038.8
Secondary Market				
US$	14,389.1	685.5	4,493.6	6,979.9
Prev	14,580.6	787.6	4,440.3	6,469.1
Other	21,645.1	924.9	5,276.5	36,276.3
Prev	21,035.9	1,013.3	5,027.5	41,054.9

	Cedel	Euroclear	Total
US$	12,115.7	30,310.4	42,426.1
Prev	11,111.3	25,821.4	36,932.7
Other	29,929.4	42,194.8	72,124.2
Prev	30,668.8	42,033.6	72,702.4

Week to March 15, 1990 — Source: AIBD

INTERNATIONAL BONDS

Euroclear's settlement row with Cedel rumbles on

EUROCLEAR, the international bond market's largest clearing house, is in danger of finding itself isolated in a row involving its rival Cedel and the Association of International Bond Dealers. Not only are relations between the two clearers at an all-time low, but Euroclear could be left behind in the race to develop new settlement standards for the Euromarket.

A string of recent problems can be cited as evidence of the breakdown in co-operation between Euroclear and Cedel:

● When Euroclear set up its innovative clearing arrangement for Nestlé's registered shares in mid-February, it initially excluded Cedel, and then closed the bridge link allowing settlement between the two clearers when Cedel introduced its own parallel service. That link was only reopened last week after strong pressure from leading banks.

● Since December, Cedel has been clearing Japanese equities backed by letters of guarantee from Industrial Bank of Japan. Euroclear will not accept Cedel equities across the bridge, saying there are operational and legal factors to be considered.

● The AIBD's rule 221 has been the main area of struggle and provides the key to the wider dispute between Euroclear and Cedel.

Simply, rule 221 requires the settlement of all grey market trades of new Eurobond issues for valuation on the signing date of the issue. The rule has little direct impact on Eurobond houses, but it has thrown open the question of whether the two clearing houses are doing wider business on an even footing.

To the AIBD's embarrassment, rule 221 has proved impossible to implement, mainly because of stalled negotiations centred on the different processing times used by the clearers. For more than a year, the AIBD's market practices committee has been working with the clearers to try to solve the problem. Now, tripartite negotiations have effectively broken down.

The last committee meeting in February was described by participants as stormy and resulted in the breaking of the deadlock. The committee voted unanimously in favour of measures proposed by Cedel. According to officials at the meeting, the voting was non-partisan.

Mr John Langton, AIBD chief executive, said the 12-0 vote was seeking a way forward to resolve rule 221 after a frustratingly long set of negotiations. Mr William Watt, a committee member, agreed: "The committee formed a definite impression that Euroclear has been stonewalling over a long period."

The solution to rule 221 recommended by the committee will be put before the AIBD board tomorrow. If it is accepted, Euroclear will find itself out in the cold.

Mr Langton said the proposal did not offer a permanent solution to rule 221. "However, in the short term it will solve around 85 per cent of the problem and this was agreed by both clearers," he said.

What appears to have swung the verdict in Cedel's favour was a longer-term commitment agreed by its representatives to introduce a live, on-line clearing system by the beginning of 1992.

Such a system, offering delivery versus payment and same-day funds, would effectively dispense with the bridge mechanism entirely because there would be live information flows between the clearers. In addition, there would be increased liquidity, less risk and a subsequent reduction in costs for users.

"The AIBD felt this was an important statement, in full sympathy with the recommendations for improving international settlement made by the Group of Thirty," said Mr Langton. He said the AIBD would have liked a similar undertaking from Euroclear; but that this was not forthcoming.

Committee members were adamant that their recommendation to the AIBD board was made with the interests of the marketplace as a whole in mind.

Mr Andreas Lusey, Cedel's chief executive, said on Friday it was important for the health and profitability of the market that the rule 221 problem be solved. "We are confident that working together with Euroclear and the AIBD we can find a solution in a short time that will benefit the whole market," he said.

Cedel's short-term proposal involves using a form of subsidy to compensate users which would otherwise lose money because of the way transactions passing between it and Euroclear are processed across the so-called bridge.

This in effect reverses the normal penalties caused by the bridge, because it requires Euroclear to give up some of the competitive advantage it has enjoyed since the bridge contract was signed in 1980.

In normal secondary market trading, the bridge problem can be summed up as follows: a Cedel client selling bonds to a Euroclear client might want the proceeds to pay for the purchase of other bonds within the Cedel system. Its purchase is dependent on the delivery of cash across the bridge.

However, because Euroclear processes its trades overnight, the cash will not be available for delivery until the day after the original transaction. The Cedel client loses a day's interest on its cash and has to consider borrowing funds for further trades.

Rule 221 turned this on its head, albeit for a tiny proportion of the business done between the two clearers. Euroclear estimates that primary market transactions affected by the bridge is less than 1 per cent of its daily turnover.

Because of its overnight processing, it cannot make new issue stock available for further transactions on the signing date. Euroclear has been compensating its own clients by back-valuing securities, but it has been unable to avoid certain transactions where its clients themselves lose interest.

It proposed its own solutions to the rule 221 problem, one involving enhanced back-valuation. It rejected an earlier proposal from Cedel for the increased exchange of data files between the two clearers, saying such measures would increase systemic risk, bring limited benefits to Euroclear users and involve a potential shift of subsidy from Cedel to Euroclear.

It also suggested two further solutions to the problems created by rule 221. The AIBD has since forwarded to the International Primary Markets Association an idea that the timing of Eurobond closing procedures be changed to include a so-called pre-closing period which would allow primary trades to settle on closing date.

The AIBD insists that Euroclear's ideas were given an ample hearing and says it is unhappy that it did not prove possible to reach agreement.

The issues raised by the market practices committee will be fully aired at the Amsterdam conference in May when the AIBD holds its annual general meeting. The agenda threatens to be similar to the controversial Dallas meeting in 1988, when the Trax electronic trade-matching system was nearly sabotaged by opposition from Euroclear. This time, rule 221 will dominate discussion.

Andrew Freeman

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
US DOLLARS							
Fujikura Ltd.♦♦	200	1994	4	2⅜	100	Nomura Int.	2.375
SMC Corp.♦♦	300	1994	4	2⅜	100	Nikko Secs. (Europe)	2.375
Makino Milling Machine♦♦	180	1994	4	2⅜	100	Daiwa Europe	2.375
Dai-Ichi Kangyo Bk Ned.♦	70	2001	11	10	102	Morgan Stanley Int.	9.696
Mitsui Bank of Canada♦	50	2000	10	10	102	Mitsui Finance Int.	9.679
Snow Brand Milk Prod.♦	200	1994	4	2⅜	100	Daiwa Europe	2.375
Sears Roebuck Euro(e)♦	600	1995	5	9¾	99¾	CSFB	9.815
American Brands(f)§♦	200	2005	15	5¾	100	Morgan Stanley Int.	5.750
IADB♦	300	2000	10	9½	99½	CSFB	9.580
AUSTRALIAN DOLLARS							
Deutsche Bk.Australia♦	100	1995	5	14½	101	Deutsche Bk Cap.Mkts	14.207
Toronto-Dom.Australia♦	50	1993	3	15	101.85	Hambros Bank	14.200
D-MARKS							
Fin.for Danish Ind.(a)‡♦	200	1997	7	¼	100	Commerzbank	
SWISS FRANCS							
Tamura Electric Wks★★♦	70	1994	-	2½	100	B.della Svizzera It.	2.500
World Bank★♦	100	1998	-	7⅞	101	SBC	7.206
LB Schleswig-Holstein♦	100	1995	-	7⅞	101½	UBS	7.133
Westl.B Finance♦	100	1995	-	7⅛	101¼	Credit Suisse	7.186
Bayerische Vereinsbank♦	100	1995	-	7⅛	101¼	Wirtschafts-und Prbk	7.194
Sumitomo Seika Chem.★★♦	100	1994	-	2½	100	Banca del Gottardo	2.500
Iseki Poly-Tech(c)★★§	45	1994	-	½	100	SBC	0.500
Isetan Int.Finance(f)★★♦	10	1995	-	(f)	100	Mitsubishi Bk(Switz)	-
SNCF♦	100	2005	-	7¼	101	Handelsbank NatWest	7.139
Oest. Postsparkasse♦	100	2000	-	7¼	101½	UBS	7.036
Oest. Postsparkasse♦	100	2005	-	7¼	101	UBS	7.139
Nikkatsu Corp.★★♦	50	1997	-	7⅞	98½	SBC	8.165
ECUs							
IBJ Finance Co.♦	100	1995	5	11	101¼	IBJ Int.	10.532
Credit Local(d)♦	75	1995	4.83	10¼	99.05	CCF	10.491
LKB Baden-Wuerttemberg♦	75	1993	3	11⅛	101.60	CSFB	10.520
KFW♦	200	1995	5	10⅞	101⅞	Deutsche Bank	10.376
GECC♦	100	1993	3	11	101.79	SBC	10.277
FRENCH FRANCS							
EIB♦	1bn	1998	8	10½	100.85	Societe Generale	10.339
LUXEMBOURG FRANCS							
Banque Indosuez-Paris★★♦	300	1998	8	10⅛	101.95	Banque Indosuez	9.926
Agents Netherlands(j)★★♦	600	1993	3	Zero	75.33	Sogenal	9.903
D'Ieteren Trading BV★★♦	600	1996	6	10½	101⅞	C.d'Epargne de l'Etat	10.059
Fiat Fin. & Trade(j)★★♦	300	1992	2	10⅛	101⅞	BGL	9.798
Belgelectric Fin.(j)★★♦	900	1995	5.2	10½	101.90	BGL	9.993
PSA Finance Holding★★♦	300	1992	2	10⅞	101⅞	Credit Europeen	9.798
YEN							
Mitsui Real Estate Dev.♦	20bn	1994	4	7⅞	101½	Nomura Int.	6.933
Interfin.Cr.National(b)♦	3bn	1993	3	8	101½	New Japan Secs.	7.424
Mitsui & Co.(H.Kong)♦	5bn	1995	5	7¼	101⅞	Kokusai Europe	6.795
SDS Bank A/S(g)♦	5bn	1991	1¼	10	101⅛	Nomura Int.	8.838
SDS Bank A/S(h)♦	2bn	1991	1¼	(h)	101⅛	Nomura Int.	-
PKbanken♦	5bn	1993	3½	7⅞	100.55	Sumitomo Trust Int.	6.916
Ireland♦	15bn	1995	5	7.2	101	Daiwa Secs.	7.081

★Not yet priced. ★★Private placement. §With equity warrants. ‡Floating rate notes. ♦Final terms. a) over 6-month Libor. Non-callable. b) Redemption linked to Y/$ exchange rate. c) Yield to put 5.014%. d) Fungible with Ecu100m bond launched in January. e) Fixed re-offer price. f) Backed by credit card receivables. g) Coupon pays 30bp over 6-month Libor first two years, then 8¼%. g) Redemption oil-linked. h) First coupon pays 6-month Libor flat, then 13.8% thereafter. Redemption linked to Nikkei stock index. i) Put April 1996 to yield 8¼%. Call at par from 1995. Conversion price: $78. j) Launched in LFr600m tranches. Note: Yields are calculated on AIBD basis.

All these securities having been sold, this announcement appears as a matter of record only.

New Issue — March, 1990

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Japanese Yen 50,000,000,000

6¾% Yen Bonds due March 15, 2000 (Fourteenth Issue)

ISSUE PRICE 101¼%

The Nikko Securities Co., (Europe) Ltd.

Bank of Tokyo Capital Markets Group
Credit Suisse First Boston Limited
Daiwa Europe Limited
Deutsche Bank Capital Markets Limited
DKB International Limited
Fuji International Finance Limited
Goldman Sachs International Limited
IBJ International Limited
LTCB International Limited
Mitsubishi Finance International plc
Mitsubishi Trust International Limited
J. P. Morgan Securities Ltd.
Morgan Stanley International
Nippon Credit International Limited
Nomura International
Norinchukin International Limited
Paribas Capital Markets Group
Salomon Brothers International Limited
Tokai International Limited
UBS Phillips & Drew Securities Limited
S. G. Warburg Securities
Yamaichi International (Europe) Limited
Yasuda Trust Europe Limited

This announcement appears as a matter of record only.

THE KOREA-EUROPE FUND LIMITED

(Incorporated with limited liability under the laws of Guernsey, registered number 16612)

whose portfolio is managed by
Korea Schroder Fund Management Limited

Offer of

8,029,000 Shares of

U.S. $0.10 each at U.S. $6.53 per Share

to raise net proceeds of

U.S. $50,000,000

Baring Brothers & Co., Limited ♦ Ssangyong Investment & Securities Co., Ltd.
Kleinwort Benson Limited ♦ The Lucky Securities Co., Ltd.
Banque Bruxelles Lambert S.A. ♦ Banque Indosuez
B T Asia Limited ♦ Daewoo Securities Co., Ltd.
Daishin Securities Co., Ltd. ♦ Deutsche Bank Aktiengesellschaft
Dongsuh Securities Co., Ltd. ♦ Goldman Sachs International Limited
KDB International (London) Limited ♦ KEB International Limited
Merrill Lynch International Limited ♦ Swiss Bank Corporation Investment Banking

March, 1990

INTERNATIONAL CAPITAL MARKETS

US MONEY AND CREDIT

Little scope for Fed to ease credit

THE ECONOMIC outlook for the US appears to be as finely balanced as ever, offering little hope of a defined trend in the Treasury bond market on domestic fundamentals.

Early in the week, Treasuries slumped in reaction to a strong reported increase in the non-farm payroll in February announced the previous Friday. Coupled with a jump in retail sales in February, the market became convinced that there was absolutely no scope for the US Federal Reserve to loosen its grip on credit.

Providing some fuel for this negative view on interest rates was the rather odd behaviour of the Fed in its open market operations and a drift upwards in the Federal funds rate.

As the week progressed, however, the mood appeared to change. The Fed funds rate settled solidly at 8¼ per cent and everyone explained away the fact that the Fed did very little to add what was regarded as necessary liquidity to the banking system by pointing to intervention against the dollar in the foreign exchange market, which adds dollars to the banking system.

On Friday, the Treasury market rallied strongly in response to a weaker than expected rise in industrial production last month and a rise of "only" 0.4 per cent in the producer prices index in February.

Disagreement and disclaimers accompanied each piece of economic data released last week. Whichever way the bond market reacted – which appeared to be mostly to each headline figure rather than the deeper analysis of the data – there were those who said it was wrong. Some said the employment figures exaggerated the strength of the job market and reflected warm weather.

Later in the week, there was one camp which felt the rally on the industrial production figures was overdone because manufacturing represents only around 25 per cent of the economy and because inflation still remains stubbornly high.

The bond market is not only beset by these differing views of the economy but also by continuing rumbles of discord between the Fed and the Administration.

After the employment figures, economists started to predict a growth rate in the first quarter of somewhere above 2 per cent and various Fed officials hinted this kind of rate would be considered inflationary.

Ms Maria Fiorini Ramirez, formerly at Drexel Burnham Lambert, and now president of Maria Ramirez Capital Consultants, noted: "It is curious that so many Fed officials are singing the same tune at roughly the same time.

"It would appear that this is intentional and directed towards the Administration as much as it is to prepare the markets for the possibility of a tightening down the road."

The economy could be constrained without higher interest rates and the Fed may err to lower rates to ease the credit crunch.

The Fed may simply be asserting its independence from an Administration which has made it abundantly clear that it wants lower interest rates. In speeches to the National Newspaper Association and the National Manufacturers' Association, President George Bush said variously that "there is a lot more we have to do to keep the expansion going: the economy is not as robust as we would like to see it," and "we need to keep interest rates down."

The answer to the interest rates conundrum probably lies elsewhere. Much has been said recently about the interdependence of US monetary policy-making with the direction of interest rates in West Germany and Japan.

With speculation still raging that the Bank of Japan will be forced to raise the discount rate – disappointed last week, some say it will happen this week – the US bond market will continue to keep its sights trained on overseas stock and bond markets and, crucially, the foreign exchanges.

There is, however, another side to the story. The Fed's Tan Book of regional economic reports released last week prompted hardly a murmur in US securities markets: it confirmed that the economy continues to grow slowly and didn't say much about inflation, none of which was particularly surprising.

But shot right through the report were comments about a squeeze on credit conditions.

There is a natural caution among lenders who have watched their real estate loan portfolios go bad and the number of corporate defaults – many of them companies *funded by high yield bonds*.

The Tan Book pointed to weakness in the construction industry and the current caution about extending credit could start to undermine this sector even more severely.

There is already anecdotal evidence that department *stores are beginning to have* problems in getting credit.

Because of the damage to lending institutions of the weakness of their outstanding loans, there is now also a regulatory effect which is further constraining the availability of funds. Regulators are in banks – such as those in New England – demanding that even slightly non-performing loans be declared, that loan loss ratios be improved and that lending be cut back.

The psychology has definitely changed. Mr David Hale, chief economist with Kemper Financial Services in Chicago, said: "When we look back at 1990, we will see a change from a financial environment when credit was freely available at high interest rates to a severe rationing of low price money."

The implication is that the emerging tightness of credit should, on the margin, mean lower interest rates. The economic effect is that the economy could be constrained *without* the use of higher interest rates and the Fed may even err towards lower rates to ease the impact of the credit crunch.

Mr Robert Brusca, chief economist at Nikko Securities in New York, said the Fed would not want to ease in order to calm a credit crisis *because it still has to be concerned about inflation*. It still has to ensure the health of some financial institutions which are sitting on disastrous loans. A large insurer or bank is a completely different prospect to Drexel Burnham Lambert.

Mr Hale believes that the construction sector, which has been boosted considerably so far this year by abnormally mild weather, could markedly retrench in the second quarter which could allow a moderate bond rally. The extent of that rally will depend on what is happening in Germany and Japan.

Janet Bush

US MONEY MARKET RATES (%)

	Last Friday	1 week ago	4 wks ago	12-month High	12-month Low
Fed Funds (weekly average)	8.25	8.30	8.19	9.92	8.00
Three-month Treasury bills	8.15	8.23	7.99	9.11	7.26
Six-month Treasury bills	8.26	8.30	8.07	9.37	7.18
Three-month prime CDs	8.42	8.36	8.12	10.35	8.10
30-day Commercial Paper	8.30	8.20	8.23	9.95	8.05
90-day Commercial Paper	8.30	8.20	8.13	10.05	8.10

US BOND PRICES AND YIELDS (%)

	Last Fri.	Change on wk	Yield	1 week ago	4 wk. ago
Seven-year Treasury	96-3/4	-1/8	8.62	8.69	8.30
20-year Treasury	105-13/16	+1	8.68	8.80	8.49
30-year Treasury	99-1/2	+7/8	8.54	8.62	8.33

Money supply: In the week ended March 5, seasonally adjusted M1 rose $2bn to $807bn.

NRI TOKYO BOND INDEX

December 1983 = 100	15/3/90	Average yield† (%)	Last week	12 wks ago	26 wks ago
	PERFORMANCE INDEX				
Overall	142.04	7.38	142.58	147.35	149.08
Government Bonds	139.74	7.27	140.47	147.21	149.01
Municipal Bonds	143.81	7.36	144.38	148.91	150.89
Govt.-guaranteed Bonds	146.08	7.40	146.68	150.46	152.00
Bank Debentures	139.07	7.66	139.37	141.24	143.07
Corporate Bonds	146.77	7.12	146.61	150.60	152.04
Yen-denom. Foreign Bonds	151.70	7.52	152.09	156.39	156.38
Government 10-year†	6.39	–	6.25	5.56	5.18

† Estimated par yield

Source: Nomura Research Institute

UK GILTS

Strong case for Budget overfunding

IN THE run-up to tomorrow's Budget statement, the gilt-edged market ended last week on a firmer note. There was little that was fundamental to this, however.

When long-term rates passed through 12 per cent, as they did on at least two occasions *last week, some buying and* switching longer occurred. As the week drew to a close many primary dealers moved their exposure to the market to neutral which, given the selling of recent weeks, meant they bought stock.

The future course of trading *depends, therefore, on what Mr* John Major, the UK Chancellor, does in his Budget. The economic and political background is well-known.

The economy has not responded as quickly to the monetary tightening as the Treasury would have liked. Retail spending growth is robust, monetary growth defies the target set for it, inflation is rising and remains Britain's foremost problem.

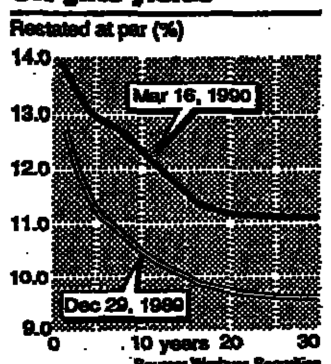
The smaller-than-expected fall in unemployment last month may prove to have been the turning point in the labour market, but it is quite likely that if this is the case it has happened too late to have a depressive effect on wage determination in the autumn.

The growth in pay settlements seems set to continue, even if a fall-off in overtime worked disguises the upwards effect on average earnings.

Not only is the current policy failing to deliver the bang Mr Major thought he would get for his buck, but the Government is also in the dog-house. Its popularity has been severely (and possibly terminally) weakened by the combined effects of the community charge, high interest rates, inflation and speculation about Mrs Thatcher's leadership.

UK gilts yields

Restated at par (%)



Source: Warburg Securities

The Treasury has leaked the theme of this year's Budget. It *is apparently going to be* "caution and prudence."

The Treasury has done this for one of two reasons: it has either broken a habit of a lifetime and embraced *glasnost*, or it is *attempting to manipulate* expectations, possibly because the Budget will be boring or with a view to *surprising the* electorate and/or markets.

So what does Mr Major do? The consensus is, not much. The Chancellor has already shown he has no stomach for a rise in interest rates either in response to a more robust than expected economy or to sterling's misfortunes on the foreign exchanges. What of tighter fiscal policy?

Like a rise in interest rates, an increase in taxes (explicit or implicit) does not have a lot of adherents, least of all in the Tory party. The magnitudes of fiscal tightening advocated by some in the market of £1bn to £2bn would be, in economic terms, an irrelevancy.

Given Mr Major's support of Mr Nigel Lawson's £4bn tax cut in 1988 he will have a hard time justifying a tax rise.

Others have suggested that the rabbit Mr Major will pull out of his battered Budget box is early membership of the exchange rate mechanism of the European Monetary System.

This would be a high-risk strategy. No one knows how the foreign exchange market would react to that; it could sell the pound just as easily as buy it and where would that leave inflation?

Putting together all the elements and what is known about official concerns it is difficult not to conclude that Mr Major will embrace some form of overfunding.

His predecessor took half a step in that direction in his speech to Mansion House last *October; Mr Major may well* complete it.

The case for overfunding is that it may add steel to the Government's monetary policy by tightening monetary conditions along the yield curve. Furthermore, it might help make *sterling an attractive* investment and it might help reduce the rate of lending growth.

Some who have advocated a return to overfunding have done so in the mistaken belief that it will assist the authorities in mopping up excess liquidity in the money market caused by the buyback of gilts.

Excessive money market liquidity has more to do with *local authority borrowing via* the Public Works Loans Board. Last month's changes by the Treasury to access to the PWLB will cure that problem.

The Treasury's changes to PWLB finance effectively put policy back to its pre-1982 footing. It changed policy at that time because *it embraced overfunding*.

The Treasury wanted the local authorities to borrow from the central Government so they would run up cash balances in the banking system, thereby alleviating some of the problems of money market *shortage created by overfunding*.

It would be odd, therefore, if Mr Major embraces overfunding on the scale seen in the early 1980s.

He may, however, decide that foreign exchange intervention is best left unsterilised *and that further* discretionary overfunding suits his purpose until signs that the economy has turned the corner are unambiguous.

Simon Holberton

FT/AIBD INTERNATIONAL BOND SERVICE

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg on week	Yield
ABBEY NATIONAL 8¾ 93	150	98		0	9.46
ABN 9¼ 94	200	98¾		–⅛	9.60
AETNA LIFE & CAS 7¾ 16	200	94⅞		–⅛	8.23
AHFC O/S FIN 11⅞ 94	100	100⅝		–⅛	11.53
ALBERTA PROVINCE 7¾ 92	750	97		0	9.29
ALBERTA PROVINCE 9¾ 95	600	99⅞		–⅛	9.38
ALCOA AUSTRALIA 11 92	80	100⅛		0	10.68
AMERICAN GENERAL 9¾ 95	100	99½		0	9.85
ANHEUSER-BUSCH 9¼ 92	100	98⅞		0	9.67
[illegible]					

	Issued	Bid	Offer	Chg on week	Yield
QUEBEC PROV 9 98	200	96⅛		+⅛	9.64
QUEBEC PROV 13 90	150	101⅞		–⅛	9.53
QUEENSLAND GOVT 10½ 95	100	101⅞		–⅛	9.76
RALSTON PURINA 11⅞ 95	150	104⅛		–⅛	10.49
REYNOLDS (RJ) 10¼ 93	180	87⅛		–⅛	15.08
RICHARDSON-VICKS 11⅞ 93	125	101⅞		+⅛	10.84
ROCKWELL INT 9⅞ 90	200	99⅞		0	9.92
SAINSBURY 9¼ 96	150	96⅛		–⅛	9.80
SAMA LEE 9⅞ 93	150	98⅛		–⅛	10.01
SAS 10¼ 95	150	100⅛		–⅛	10.07
[illegible]					

FLOATING RATE NOTES: [illegible]

CONVERTIBLE BONDS: [illegible]

	Issued	Bid	Offer	Chg on week	Yield
TOYO TST & BANKING 1¾ 02	100	69⅞		–5⅛	–0.86
UTD BISCUITS 5¾ 03 PREF	110	105⅛		–1⅛	2.18

YEN STRAIGHTS	Issued	Bid	Offer	Chg on week	Yield
ALLIED-SIGNAL 6¾ 93	20.0BN	97⅞		0	7.60
AUSTRIA 4⅞ 94	30.0BN	91⅛		–⅛	7.41
AVON CAPITAL 6⅛ 91	25.0BN	96⅛		0	8.97
BARCLAYS O/S INV 6 96	40.0BN	92⅛		–⅛	7.52
BFCE 5⅛ 96	20.0BN	91⅛			7.53
[illegible]					

OTHER STRAIGHTS: [illegible]

ECU STRAIGHTS: [illegible]

CANADIAN DOLLAR STRAIGHTS: [illegible]

AUSTRALIAN DOLLAR STRAIGHTS: [illegible]

STERLING STRAIGHTS: [illegible]

EQUITY WARRANTS: [illegible]

BOND WARRANTS: [illegible]

STRAIGHT BONDS: Yield to redemption of the mid-price. Amount issued is expressed in millions of currency units except for Yen bonds, where it is in billions. FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate for US dollars. C.cpn = current coupon. CONVERTIBLE BONDS: US Dollars unless indicated. Prem = percentage premium of the current effective price of buying shares via the bond over the most recent share price. WARRANTS: Equity warrant prem = exercise premium over current share price. Bond warrant at yld = exercise yield at current warrant price. Closing prices on AISBEDEETAB

© The Financial Times Ltd, 1990. Reproduction in whole or in part in any form not permitted without written consent. Data supplied by Association of International Bond Dealers.

This announcement appears as a matter of record only.

NEW ISSUE

16th March, 1990

ONGC

Oil and Natural Gas Commission

(established under the Oil & Natural Gas Commission Act, 1959 of India)

U.S.$125,000,000

10 per cent. Guaranteed Notes Due 1997

Unconditionally and irrevocably guaranteed as to payment of principal and interest by

India

Acting by its President

ISSUE PRICE 101.85 PER CENT.

Nomura International

Credit Suisse First Boston Limited

Bank of Tokyo Capital Markets Group

Daiwa Overseas Finance Limited

DKB Asia Limited

LTCB Asia Limited

Merrill Lynch International Limited

The Nikko Securities Co., (Europe) Ltd.

Paribas Capital Markets Group

Shizuoka Finance (H.K.) Limited

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

Gambro in agreed bid for Cobe Labs of US

By John Burton in Stockholm

GAMBRO, the Swedish manufacturer of dialysis equipment, has made an agreed $253m bid for Cobe Laboratories, a US medical equipment manufacturer.

The Cobe board recommended that shareholders accept Gambro's cash tender offer of $37 per share. Cobe is listed on the Nasdaq exchange.

Gambro said the purchase would expand its operations into the new business areas of heart surgery and blood components technology, from its present activity in renal care as well as intensive care and anesthesia.

"The acquisition will also add critical mass and provide an opportunity to strengthen Gambro's business in the US, which has incurred significant losses during the past few years," said Mr Berthold Lindqvist, president.

Gambro's US subsidiary, which had turnover of $30m last year, has suffered from weak demand for disposable dialysisers due to a trend towards more frequent re-use of such equipment.

Gambro reported profits of SKr328m on sales of SKr3.1bn in 1989.

Canadian car parts maker to restructure its debts

By Bernard Simon in Toronto

FACED WITH a huge second-quarter loss and a cash crunch, Magna International, the over-extended Canadian automotive parts maker, is seeking a standstill on interest payments and price relief from its customers while it restructures its debt.

Magna plunged to a C$186.6m (US$158.4m) loss, equal to C$6.71 per class B share, in the three months ended January 31, compared with earnings of C$13.2m or 48 cents a share, a year earlier. Of the total loss, C$153m consisted of writedowns on unprofitable businesses.

The pre-tax operating loss was C$16m, which the company said reflected lower production volumes caused by the slowdown of the North American motor industry. Sales fell by 6 per cent to C$431.6m.

The company estimated that its "problem plants" are currently losing between C$60 and C$70m a year from operations. Payment of the mid-1990 dividend has been suspended.

Magna, hailed until recently as one of the great success stories of Canadian business, said that "over-expansion combined with a slowdown of the North American automobile market and the rise of interest rates has created a cash squeeze." As a result, it has failed to comply with some of the tests under its lending agreements.

A debt restructuring plan now being drawn up a committee comprised of three independent board members will include asset sales and the disposal of interests in some operating units. The debt to be restructured stood at C$1.1bn at the end of January. Shareholders' equity has shrunk by 43 per cent in the past year to C$263m.

Magna operates about 120 factories with 15,000 workers. With the advantage of being non-unionised, it diversified rapidly in the mid-1980s from a base in metal stamping, into almost every kind of vehicle part, as well as vehicle design.

Magna said it is also getting rid of a number of peripheral businesses acquired under the aegis of Mr Frank Stronach, its colourful founder and controlling shareholder.

Its share price has plummeted from a peak of C$36.50 in 1986 to C$7 last week.

Deutsche Bank hires BASF man

By Katharine Campbell in Frankfurt

DEUTSCHE BANK, West Germany's biggest bank, has hired Mr Ronaldo Schmitz, the finance director of the chemicals group BASF, to fill a senior management position in the continuing reshuffle of boardroom responsibilities following the death of Mr Alfred Herrhausen last November.

The appointment of a non-banker to the senior ranks of Deutsche is relatively rare where most board members have worked their way up through the bank – Mr Herrhausen, who came from the big electricity utility VEW, being one of the exceptions.

An economist by training, Mr Schmitz, 51, was touted as the possible new chief executive of BASF before the appointment of Mr Jürgen Strube last December. His experience at the financial helm of one of the world's top chemical concerns will now be a valuable asset to Deutsche's corporate finance activities.

Mr Schmitz will be in charge of investment banking (primary markets) and, regionally, north America.

He assumes these responsibilities from Mr Hilmar Kopper, leaving the new speaker (chief executive) free to concentrate on group strategy and communications, as did his predecessor.

While Mr Schmitz joins the bank at the beginning of May as an executive vice president, legal niceties preclude him from being formally elected to the board until February 1991.

Zenith in claim on Groupe Bull

ZENITH ELECTRONICS, the US consumer electronics company, said after an extensive review it concluded that Groupe Bull, the French computer group, owes an additional $49.5m for Zenith's computer products business, writes Our Financial Staff.

Zenith sold the business to Groupe Bull on Dec 28, 1989 and received a closing-date payment of $496.4m in cash. The two companies are disputing the final price, which depends on valuations of the net assets sold.

Groupe Bull claimed the post-closing adjustment should result in Zenith paying it about $49m. Zenith said if there were no deal on the sale in the next 30 days, the matter would go to arbitration.

CME plans dual trading curbs

By Barbara Durr in Chicago

THE CHICAGO Mercantile Exchange has moved to curb dual trading, the practice that allows brokers to trade both for themselves and customers.

The CME's board of governors voted last week to accept a committee report that recommended a ban on dual trading for all commodities in mature liquid contracts. A mature liquid contract is defined as one that has traded some 10,000 contracts per day for six months.

The board's decision must be ratified by the membership in an April 17 referendum. The proposal will also have to be approved by the Commodities Futures Trading Commission, which has been attempting to ban dual trading through a proposal of its own.

The CFTC wants to implement a pilot ban on one agricultural futures pit and one financial futures pit at the CME and the Chicago Board of Trade. This would be to discover whether dual trading is critical to adding liquidity.

The CFTC's measure is being fought by both the Chicago exchanges, where it is firmly believed there should be a right to dual trade, at least in certain circumstances. The exchanges also prefer to regulate themselves rather than be acted upon by Washington.

The CME in fact has banned dual trading in the Standard & Poor's 500 stock index futures since 1987 after a dispute between brokers and local traders in the early 1980s. The practice came under new fire last year when a two-year FBI probe of trading abuses came to light.

Scandinavian Bank group hit by debt provision

By David Barchard

SCANDINAVIAN Bank Group, the consortium bank which ranks as the 15th largest UK bank by asset size, has announced pre-tax losses of £3.22m ($5.44m) after making total provisions of £21.9m against doubtful debts.

The loss compared with a pre-tax profit of £23.56m in 1988. The results were the first to be announced since the purchase last November by Scandinavian Bank's parents of the 35.4 per cent of its shares which were publicly traded.

The provisions included £15.6m for provisions on Third World debt and £9m provisions for possible losses on local authority swaps transactions.

Total income for the group was £103.6m, compared with £100m. Profits from merchant banking were £28.1m, up from £27.1m. Capital market operations contributed £25.9m, up from £25m, global investment management made £35.6m, up from £34.4m and personal financial management £14m, up from £13.5m.

There was a loss of 15p per share, compared with a 1988 profit of 19.1p. A total dividend for the year of 3.0p was declared, down from 8.5p in 1988.

Citicorp real estate shakeup

CITICORP, the leading US commercial bank, plans to reorganise its real estate lending division, which last year suffered from a more than doubling of non-performing and renegotiated loans to $1.16bn.

Citicorp denied that the reorganisation was in any way connected with the current crisis in the real estate sector in many parts of the US. The review that led to the reorganisation, which aims to focus on business generated by industry leaders, has been underway for 18 months.

Citicorp's real estate division employs 800 people and at the end of 1989 had total domestic commercial loans of $13.2bn.

French timber chief takes over at trading company

By William Dawkins in Paris

MR FRANCOIS PINAULT, chairman of France's largest timber group, has taken over in a boardroom coup as the head of Compagnie Française de l'Afrique Occidentale (CFAO), the diversified trading company with activities from supermarkets to electrical equipment.

The move follows the resignation of Mr Paul Paoli, former CFAO chairman, due to "differences of opinion between him and the administrators over the future strategy of the group," said CFAO.

This consolidates Mr Pinault's growing hold over CFAO, seen by analysts as vulnerable to a partial or full takeover after a costly programme of diversification away from its original West African import and export business.

Only last month, Mr Pinault increased his existing 8.9 per cent stake in CFAO to 20.1 per cent, making him the biggest shareholder, narrowly in front of Parfinance, the holding company controlled by Mr Gerard Eskenazi. CFAO's share price fell by 4.7 per cent to FFr591 ($102m) on Mr Pinault's election to chairmanship.

CFAO's activities include supermarkets, construction materials, equipment hire and car dealerships, from which it made a FFr441m net profit on sales of FFr23.5bn in 1988.

Last year, it won a hotly contested takeover battle for La Ruche Méridionale, a regional supermarket chain, for which it paid FFr1.5bn, a deal which analysts believed has significantly weakened its balance sheet.

Mr Pinault's growing interest in CFAO comes just as he is negotiating to sell Chapelle-Darblay, the formerly ailing paper maker which he took over in 1987 after it had been bailed out by government subsidies and partially turned round by Mr John Kila, the Dutch businessman.

COMPANY NEWS IN BRIEF

CBR, the Belgian based international cement maker, lifted net consolidated income last year by 31.7 per cent to BFr4.053bn ($113bn). Sales totalled BFr42.9bn, against BFr36.2bn. Earnings per share were 13.4 per cent higher at BFr881, writes Tim Dickson.

The figures, which for the first time reflect new rules in conformity with international accounting practice, were helped by what CBR called "sustained levels" of construction activity in the Benelux countries, Rhineland-Westphalia, and the west coast of North America.

■ Superfos, the Danish grain and feedstuff trading, road construction and packaging group, saw pre-tax profits slashed by 47 per cent from DKr241m ($37m) to DKr128m last year and earnings after net financial items down 33 per cent from DKr175m to DKr135m, writes Hilary Barnes in Copenhagen.

Turnover was up 12 per cent from DKr6.43bn to DKr7.20bn. The 9 per cent dividend will be maintained.

Results in 1990 are expected to improve following organisational changes in the grain and feedstuff divisions and a further improvement in profits in road construction and packaging. Last year's earnings were hit by difficult conditions in grain and feedstuffs, and in international trading.

■ Hudson's Bay, Canada's largest retailing group, has finally completed its long journey back to financial health, capping it with a one-third increase in common share dividends, writes Robert Gibbens in Montreal.

For the year ended January 31, the Bay posted net profit of C$121.9m (US$104m), or C$2.99 a share, up from C$49.2m or 73 cents a share in fiscal 1989.

Revenues were up 2 per cent to C$4.5bn. The gains came mainly from the Bay retail chain and from Zellers, another national chain, but also from real estate operations. After special items, final earnings were C$168.2m or C$4.37 a share in fiscal 1990, against a small loss in fiscal 1989.

■ Mr T. Boone Pickens, the Texas oilman and investor, has increased his stake in Koito Manufacturing, the Japanese automotive parts maker, to 26.4 per cent from 24.6 per cent, Reuter reports from Tokyo.

He registered an additional 3m Koito shares under the name of his Boone Co, bringing its total shareholding to 42.4m shares.

Mr Pickens was expected to increase his stake to around 30 per cent by registering another 5m shares later, Koito said, adding: "We fear that Pickens will resort to more pressure and demands with his increased stake."

■ A C$10m (US$8.5m) wrongful dismissal suit against Rio Algom, the Canadian mining arm of the British RTZ group by Mr George Albino, its former chairman, has been resolved, writes Robert Gibbens.

Mr Albino, abruptly removed from his position in 1987, will receive full pension at the age of 60 and has agreed to relinquish all other claims against the company. His reported salary was C$380,000 a year.

The Ontario Securities Commission is now expected to proceed with a hearing into alleged misuse of a stock option plan by Mr Albino.

■ Esselte, the Swedish office supplies and media group, is to raise its 1989 dividend to SKr6 ($1.29) per share from SKr5.25 in 1988, writes Our Financial Staff. The rise was proposed in spite of a reduction in profits after financial items for 1989 to SKr735m against SKr922m in 1988. In February Esselte announced a restructuring after investment firms Mobilia and Ratos had withdrawn a takeover bid for the company.

■ Overseas Union Bank, one of Singapore's Big Four, lifted net profits 44.6 per cent to S$75.5m (US$40.3m) last year, Our Financial Staff writes. For the parent bank alone, profits rose 31.6 per cent to S$48.7m. It declared a final dividend of 5 cents, up from 4 cents.

This advertisement is issued in compliance with the requirements of the Council of The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited ("The Stock Exchange"). It does not constitute an offer of, or invitation to subscribe for or purchase any securities. Application has been made to the Council of The Stock Exchange for the shares mentioned below to be admitted to the Official List.

Kunick PLC

(Incorporated in England under the Companies Act 1948 No. 506827)

Introduction to
The Stock Exchange
sponsored by
Samuel Montagu & Co. Limited

Share Capital

The following table summarises the authorised and issued share capital of the Company:

Authorised £		*Issued and fully paid* £
27,500,000	Ordinary shares of 10p each	17,424,632
515,000	7 pence Cumulative Convertible Redeemable Preference shares of 5p each	131,365
2,152,174	8.25 pence Cumulative Convertible Redeemable Preference shares of 5p each	1,997,151
30,167,174		19,553,148

Kunick operates in two separate market sectors; leisure and care services. Its leisure activities are split between the operation and distribution of amusement machines and the operation of visitor attractions. Care services comprise the provision of care services for the elderly and infirm and the operation of acute care hospitals.

Details of the above mentioned shares are available in the Extel Statistical Services. Copies of the Listing Particulars are available, for collection only, during normal business hours up to and including 21st March, 1990 from the Company Announcements Office, The Stock Exchange, 46-50 Finsbury Square, London EC2A 1BD and, for collection only, during normal business hours on any weekday (Saturdays excepted), up to and including 2nd April, 1990 from Kunick PLC, Low Lane, Horsforth, Leeds LS18 4ER and from:

Samuel Montagu & Co. Limited, 10 Lower Thames Street, London EC3R 6AE.

Panmure Gordon & Co. Limited, 9 Moorfields Highwalk, London EC2Y 9DS.

Samuel Montagu & Co. Limited and Panmure Gordon & Co. Limited are both members of The Securities Association.

19th March, 1990

SANWA SHUTTER CORPORATION

(A) U.S.$ 70,000,000
3 per cent. Bonds due 1992
(B) U.S.$ 130,000,000
4½ per cent. Bonds due 1993
(C) U.S.$ 400,000,000
2¼ per cent. Bonds due 1994
With Warrants to subscribe for Shares of Common Stock of Sanwa Shutter Corporation

To the Holders of the above-captioned Warrants:

You are hereby notified that, as a result of a free distribution of Shares of the Common Stock of SANWA SHUTTER CORPORATION to the shareholders on record as of 31st March, 1990, Japan time, at the rate of 0.22 shares for each share held, the subscription prices of the above-captioned Warrants will be adjusted pursuant to clause 3 of each respective instrument dated (A) 20th August, 1987, (B) 17th August, 1988 and (C) 15th February, 1990 as set forth below.

1) Current subscription price per share before adjustment:
(A) Yen 822.40
(B) Yen 1,053.80
(C) Yen 2,348

2) Subscription price per share after adjustment:
(A) Yen 674.10
(B) Yen 863.80
(C) Yen 1,924.60

Effective date of the adjustment (Japan time): 1st April, 1990. Date of issue of the new shares referred to above: 21st May, 1990.

SANWA SHUTTER CORPORATION
By The Tokai Bank, Limited
London Branch
as Principal Paying Agent.
Dated: 19th March, 1990

NOTICE TO HOLDERS OF WARRANTS TO SUBSCRIBE FOR SHARES OF COMMON STOCK OF

MATSUSHITA ELECTRIC INDUSTRIAL CO., LTD.

Issued in conjunction with
U.S. $100,000,000
2⅜ per cent.
Bonds 1992
(the "Warrants")

Notice is hereby given that, as a result of the issuance of new bonds with warrants on 15th March, 1990, the subscription price of the Warrants has been adjusted pursuant to condition 7 of the terms and conditions of the Warrants as follows:

1. Subscription price of the Warrants before such adjustment is Yen 1,718.40 per share of common stock.
2. Subscription price of the Warrants after such adjustments is Yen 1,715.10 per share of common stock.
3. Effective Date: 15th March, 1990.

MATSUSHITA ELECTRIC INDUSTRIAL CO., LTD.
By: The Bank of Tokyo Trust Company
as Disbursement Agent

Dated: 19th March, 1990

Tokai Bank
is proud to announce
the opening of its
Vienna
Representative Office,
March 19, 1990.

As one of Japan's leading city banks, with 269 domestic branches and 53 overseas offices, we are pleased to announce the opening of our representative office in Vienna. Through this office we hope better to serve the needs of the Austrian business community, by giving it access to Japan and to the worldwide network of Tokai Bank.
Tokai Bank looks forward to serving you in Austria.

The Tokai Bank, Limited
Vienna Representative Office
Chief Representative: Fujio Noguchi
Address: A-1010 WIEN, Kohlmarkt 5, AUSTRIA
Telephone: 43-222-5335002
Facsimile: 43-222-5339910

TOKAI BANK
Meeting your objectives around the world.

HEAD OFFICE: 21-24, Nishiki 3-chome, Naka-ku, Nagoya Phone: 052-211-1111
INTERNATIONAL BANKING HEADQUARTERS: 6-1, Otemachi 2-chome, Chiyoda-ku, Tokyo Phone: 03-242-2111
REGIONAL HEADQUARTERS, EUROPE: 99 Bishopsgate, London EC2M 3TA, U.K. Phone: 01-283-8500
NETWORK IN EUROPE:
Branches: London, Frankfurt, Düsseldorf
Representative Offices: Madrid, Birmingham, Paris, Zurich, Milan, Tehran, Bahrain
Subsidiaries: Tokai Bank Nederland N.V., Tokai International Limited, Tokai Finance (Switzerland) Limited, Tokai Leasing (Deutschland) GmbH

Mortgage Securities (No. 2) PLC

£250,000,000
Mortgage backed floating rate notes due 2028.

For the interest period 15 March 1990 to 15 June 1990 the notes will bear interest at 15.4925% per annum. Interest payable on 15 June 1990 will amount to £3,904.96 per £100,000.00 note.

Agent Bank: Morgan Guaranty Trust Company

JPMorgan

GLOBAL GOVERNMENT PLUS FUND LIMITED
Offer to purchase

Global Government Plus Fund Limited announced today that a total of 1,812,928 common shares representing approximately 14,47% of its outstanding shares had been tendered pursuant to the offer dated February 6, 1990 and which expired on February 27, 1990, made by the Company to purchase up to 25% of its outstanding common shares. Subject to the terms and conditions of the offer, the purchase price payable for each common share tendered and accepted by the Company for payment will be the net asset value of the Company on March 21, 1990 divided by the total number of issued and outstanding common shares.

MORGAN GUARANTY TRUST COMPANY
OF NEW YORK
BRUSSELS OFFICE, AS DEPOSITARY

Compagnie Bancaire

£300,000,000
Floating rate notes
due 1995.
Initial Tranche
£200,000,000

For the interest period 15 March 1990 to 15 June 1990 the notes will bear interest at 15⁵⁄₁₆% per annum. Interest payable on 15 June 1990 per £100,000 note will amount to £3,859.59.

Agent: Morgan Guaranty Trust Company

JPMorgan

WORLD STOCK MARKETS

AUSTRIA | FRANCE (continued) | GERMANY (continued) | ITALY (continued) | SWEDEN

BELGIUM/LUXEMBOURG | NETHERLANDS | SWITZERLAND | DENMARK | NORWAY | FINLAND | SPAIN | SOUTH AFRICA | JAPAN | AUSTRALIA | HONG KONG | MALAYSIA | SINGAPORE

CANADA

TORONTO

Closing prices March 16

MONTREAL

Closing prices March 16

Total Sales 4,647,110 shares.

INDICES

NEW YORK

DOW JONES	Mar 16	Mar 15	Mar 14	Mar 13	1989/90 HIGH	1989/90 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	2741.22	2695.72	2687.84	2674.55	2810.15 (2/1/90)	2144.64 (3/1/89)	2810.15 (2/1/90)	41.22 (2/7/32)
Home Bonds	90.51	90.39	90.39	90.34	94.15 (2/8/89)	87.35 (23/3/89)	—	—
Transport	1157.01	1148.12	1158.25	1155.76	1532.01 (5/9/89)	959.95 (3/1/89)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	237.49	217.30	217.12	217.05	236.23 (2/1/90)	181.84 (24/2/89)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 2745.50 (2714.86) Low 2699.32 (2677.93)

STANDARD AND POOR'S

	Mar 16	Mar 15	Mar 14	Mar 13	1989/90 HIGH	1989/90 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	341.91	338.07	336.89	336.00	359.80 (9/10/89)	275.31 (3/1/89)	359.80 (9/10/89)	4.40 (1/6/32)
Industrials	396.40	391.24	389.65	388.15	411.20 (2/1/90)	318.66 (3/1/89)	411.20 (2/1/90)	3.62 (21/6/32)
Financial	28.70	28.67	28.70	28.70	35.24 (9/10/89)	24.30 (3/1/89)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	187.92	186.20	185.68	185.25	199.34 (9/10/89)	154.98 (3/1/89)	199.34 (9/10/89)	4.46 (25/4/42)
Amex Mkt. Value	364.18	362.27	361.57	360.79	397.03 (10/10/89)	305.24 (3/1/89)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	442.16	438.06	436.15	434.58	485.73 (9/10/89)	378.56 (3/1/89)	485.73 (9/10/89)	54.87 (31/10/72)

	Mar 9	Mar 2	Feb 23	year ago (approx.)
Dow Industrial Div. Yield	4.08	4.26	4.14	3.70
	Mar 14	**Mar 7**	**Feb 28**	**year ago (approx.)**
S & P Industrial div. yield	3.09	3.09	3.13	3.13
S & P Indl. P/E ratio	14.80	14.74	14.47	13.17

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
Imp Chem Ind	5,705,200	72⅞	+ 2
Borton	5,176,500	74⅞	+ 16⅝
Philip Morris	3,268,000	38⅝	+ ⅛
Gen Electric	2,923,900	64	+ ⅛
Am T & T	2,647,500	41⅞	+ ⅛
IBM	2,574,100	108⅝	+ 1⅝
Gen Motors	2,534,300	47⅛	+ ⅛
Exxon	2,391,700	47½	+ ⅝
Fannie Mae	2,071,700	35⅞	− ⅛
Am Express	2,040,000	28⅞	+ ⅜

TRADING ACTIVITY

† Volume Millions	Mar 16	Mar 15	Mar 14
New York	222.520	145.597	146.248
Amex	15.318	12.506	10.110
NASDAQ	(u)	128.676	122.178
Issues Traded	1,946	1,939	1,942
Rises	891	740	817
Falls	577	668	643
Unchanged	478	531	482
New Highs	41	20	17
New Lows	21	35	37

CANADA

TORONTO	Mar 16	Mar 15	Mar 14	Mar 13	1989/90 HIGH	1989/90 LOW
Metals & Minerals	3268.20	3254.57	3175.55	3144.40	3919.2 (1/9/89)	2921.03 (23/2/90)
Composite	3760.70	3757.39	3734.63	3734.10	4037.8 (6/10/89)	3350.5 (6/1/89)
MONTREAL Portfolio	1928.81	1926.72	1915.20	1916.42	2069.68 (10/10/89)	1677.48 (3/1/89)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Mar 16	Mar 15	Mar 14	Mar 13	1989/90 HIGH	1989/90 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1584.5	1572.7	1558.6	1560.6	1781.8 (29/8/89)	1412.9 (7/4/89)
All Mining (1/1/80)	818.7	806.7	798.4	803.4	875.1 (29/8/89)	652.6 (7/4/89)
AUSTRIA						
Credit Aktien (30/12/84)	690.34	680.90	673.31	677.37	690.34 (16/3/90)	219.5 (2/1/89)
BELGIUM						
Brussels SE (1/1/88)	6063.60	6027.90	5981.95	6003.91	6805.28 (26/9/89)	5519.30 (4/1/89)
DENMARK						
Copenhagen SE (3/1/83)	(u)	376.49	376.38	375.48	380.32 (5/2/90)	275.49 (27/2/89)
FINLAND						
Unitas General (1975)	637.7	638.2	641.1	644.3	815.8 (18/4/89)	580.8 (23/11/89)
FRANCE						
CAC General (31/12/82)	526.5	525.77	517.42	515.01	561.6 (11/10/89)	417.9 (4/1/89)
CAC 40 (31/12/87)	1958.82	1964.47	1946.37	1924.30	2006.42 (4/1/90)	1525.38 (27/2/89)
GERMANY						
FAZ Aktien (31/12/58)	792.96	793.49	789.88	784.54	807.13 (5/2/90)	535.78 (27/2/89)
Commerzbank (1/12/53)	2305.8	2307.1	2296.9	2281.9	2378.8 (6/2/90)	1595.7 (27/2/89)
DAX (30/12/87)	1889.69	1879.32	1862.84	1867.48	1939.43 (5/2/90)	1271.70 (23/2/89)
HONG KONG						
Hang Seng Bank (31/7/64)	2886.46	2892.81	2881.23	2887.62	3309.64 (15/5/89)	2093.61 (5/6/89)
IRELAND						
ISEQ Overall (4/1/88)	1768.32	1757.74	1755.18	1736.68	1893.10 (22/1/90)	1360.64 (10/1/89)
ITALY						
Banca Com. Ital. (1972)	675.78	672.51	666.96	665.32	734.84 (31/8/89)	577.49 (28/2/89)
JAPAN						
Nikkei (16/5/49)	32616.44	32671.64	32352.13	32620.57	38915.87 (29/12/89)	30183.79 (5/1/89)
Tokyo SE (Topix) (4/1/68)	2419.21	2427.64	2420.7	2457.10	2884.80 (18/12/89)	2366.92 (6/1/89)
2nd Section (4/1/68)	4041.96	4051.43	4051.83	4093.85	4284.68 (8/2/90)	2774.38 (27/3/89)
MALAYSIA						
KLSE Composite (4/4/86)	600.78	598.05	596.66	596.79	622.28 (20/2/90)	357.31 (3/1/89)
NETHERLANDS						
CBS Tti.Rtn.Gen.(End 1983)	256.7	255.3	253.8	252.8	272.7 (21/9/89)	208.3 (3/1/89)
CBS All Shr (End 1983)	196.9	195.8	194.7	193.3	210.5 (8/9/89)	166.7 (1/3/89)
NORWAY						
Oslo SE (2/1/83)	845.40	843.00	838.05	835.02	848.40 (16/3/90)	467.17 (2/1/89)
PHILIPPINES						
Manila Comp (2/1/85)	1128.39	1115.61	1084.67	1061.22	1396.26 (20/11/89)	804.62 (6/2/89)
SINGAPORE						
SES All-Singapore (2/4/75)	430.88	429.45	428.04	428.32	443.34 (6/2/90)	300.07 (4/1/89)
SOUTH AFRICA						
JSE Gold (28/9/78)	2089.06	2029.0	2072.0	2006.0	2254.0 (12/12/89)	1291.0 (25/2/89)
JSE Industrial (28/9/78)	3022.06	3046.0	2990.0	2976.0	3211.0 (6/2/90)	1961.0 (3/1/89)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	842.27	835.99	838.19	841.56	1007.80 (3/4/89)	833.81 (26/2/90)
SPAIN						
Madrid SE (30/12/85)	269.02	270.14	269.58	272.25	328.93 (13/9/89)	268.61 (1/3/89)
SWEDEN						
Affarsvärlden Gen. (1/2/37)	1141.60	1146.10	1141.60	1145.30	1372.95 (16/8/89)	1021.96 (9/1/89)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	764.8	(u)	(u)	761.5	829.1 (6/9/89)	613.1 (3/1/89)
TAIWAN**						
Weighted Price (30/6/66)	11502.34	11934.49	11896.87	11925.24	12495.34 (10/2/90)	4873.01 (5/1/89)
THAILAND						
Bangkok SET (30/4/75)	787.58	783.33	776.71	783.46	918.67 (5/1/90)	386.73 (2/1/89)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	499.7	498.8	508.4	571.0 (4/1/90)	487.6 (13/6/89)

**Saturday Mar. 10: Taiwan Weighted Price: 11791.20 Korea Comp Ex. (c)

‡ Subject to official recalculation.

δBase values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

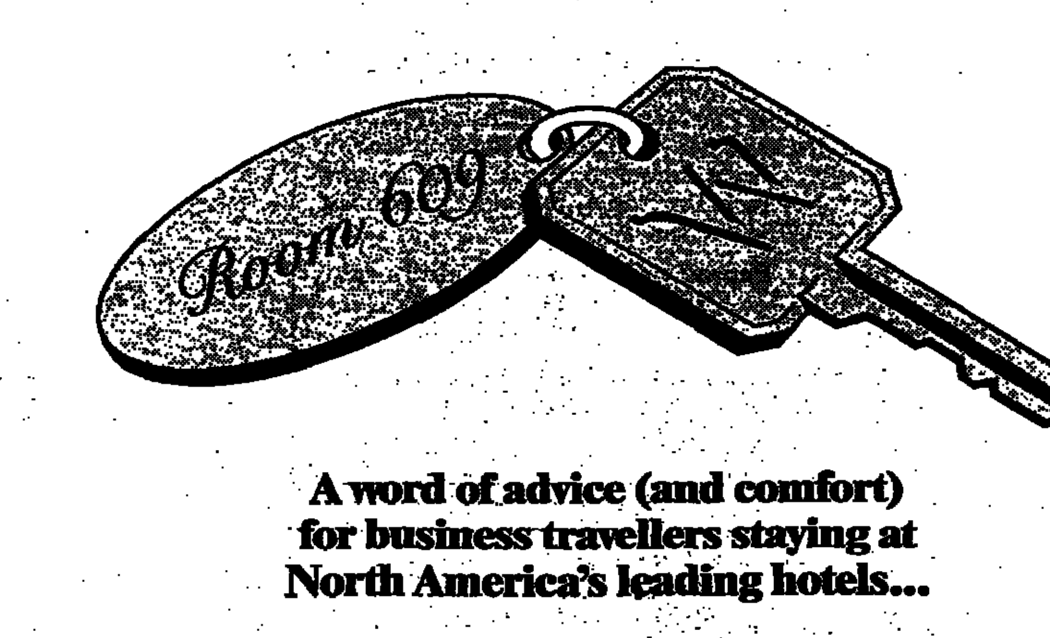
TOKYO - Most Active Stocks

Friday March 16 1990

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nippon Steel	16.1m	616	+3	NKK	8.4m	609	+4
Nippon Mining	12.8m	987	+2	Iseki & Co	8.2m	1,250	-50
Kobe Steel	10.1m	746	+14	Toyota Motor	6.1m	2,170	-80
Kawasaki Steel	7.9m	651	+13	Tobishima	5.9m	1,610	0
Sato Kogyo	7.8m	2,220	-20	Sharp	5.7m	1,760	-20

Travelling on Business?

Enjoy reading your complimentary copy of the Financial Times when you're staying in Luxembourg at the Hotel Cravat, Intercontinental Hotel, Hotel President, Hotel Aerogolf Sheraton.



A word of advice (and comfort) for business travellers staying at North America's leading hotels...

ALWAYS ASK FOR YOUR COPY OF THE FINANCIAL TIMES!

NOTES – Prices on this page are as quoted on the individual exchanges and are last traded prices. (u) Unavailable. ♦ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

FT UNIT TRUST INFORMATION SERVICE

● For Current Unit Trust Prices on any telephone ring direct-0836 4 + five digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

AUTHORISED UNIT TRUSTS

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Abbey Unit Tst Mngrs (1000)H						
80 Holdenhurst Rd, Bournemouth 0345 717373						
High Income						
American Income	6	52.31	52.31xd	55.98	4.90	40000
Gilts & Fixed Int	6	100.9	100.9xd	107.0	10.28	40001
High Inc Equity	6	131.8	135.1	143.8	4.42	40002
Worldwide Bond	6	197.9	197.9xd	209.6	6.15	40003
Capital Growth						
American Growth	6	192.3	194.2	206.6	1.00	40004
Asian Pacific	6	131.7	134.7	143.3	0.00	40005
Assets & Earnings	6	152.4	152.4	163.0	2.98	40006
Capital Reserve Acc	0	89.03	89.03	89.19	5.73	40007
Capital Reserve Inc	0	74.38	74.38xd	74.52	8.05	47530
Comdty & Energy	6	110.3	110.3xd	118.0	0.71	40009
Dividend & Growth	6	45.31	46.36	49.32	4.56	47871
1992 Enterprise	6	60.32	61.67	65.61	2.44	41597
Euro Capital Acc	6	102.7	102.7	109.9	0.86	40080
Euro Capital Inc	6	98.97	98.97	105.9	0.90	47581
General	6	170.2	170.2xd	182.1	2.75	40010
International	6	61.61	62.31	66.29	0.75	46852
Japan	6	103.2	103.2	110.4	0.00	40011
Mastertrust	6	89.81	89.81	96.06	1.47	40012
UK Growth Acc	6	172.7	172.7	184.8	1.54	40013
UK Growth Dist	6	114.2	114.2	122.2	2.33	40014
US Emerging Cos	6	56.37	57.79	61.48	0.00	40015
Income & Growth	6	292.9	292.9	313.3	3.27	40016
Ethical	6	47.49	47.49	50.80	1.97	40017
Abtrust Management Ltd (1200)H						
10 Queens Terrace, Aberdeen AB9 1QJ 0800 833580						
Amer Inc & Growth	5¼	32.81	32.81	35.09	2.33	40019
European	5¼	90.19	90.30xd	96.40	0.00	40025
European Income	5¼	86.10	86.10xd	91.80	1.60	41377
Exempt	1	735.8	735.8	759.6	1.51	41579
Extra Income	5¼	41.53	41.53xd	44.33	4.32	40021
Brycourt Unit Tst Mngmt Ltd (1400)F						
Hesketh Hse, Portman Sq, W1H 0JR 01-935 6382						
Income Growth	1	187.5	187.5	194.4	5.00	40284
Buckmaster Mangmt Co Ltd (1200)H						
The Stock Exchange, London EC2P 2JT 01-588 2868						
Emerging Gwth	5	58.51	58.51	61.87	3.27	40205
(Accum Units)	5	60.59	60.99	64.07	3.27	40206
Fellowship Tst	5	60.70	62.04	65.82	4.23	40206
(Accum Units)	5	63.47	64.85	68.81	4.23	40207
General Inc	5	289.1	289.1	305.7	3.40	40208
(Accum Units)	5	495.4	495.4	523.9	3.40	40209
Income	5	154.0	155.7	165.2	4.56	40210
(Accum Units)	5	305.5	308.8	327.6	4.56	40211
International	5	111.8	111.8	118.2	1.27	40212
(Accum Units)	5	154.6	154.6	163.5	1.27	40213
Smaller Co's	5	101.1	101.1	106.9	2.20	40214
(Accum Units)	5	112.1	112.1	118.5	2.20	40215
Inv Portfolio	2½	52.99	53.96	55.63	3.20	41559
(Accum Units)	2½	55.55	56.57	58.32	3.20	41558
High Income Port	3	45.48	46.24	47.92	6.32	46857
Burrage Unit Tst Mangmt Ltd (0905)F						
117 Fenchurch St, London EC3M 5AL 01-480 7216						
Short Dated Gilt	1¼	54.76	54.76xd	55.59	12.98	40216
CCF Foster Braithwaite UT Mngt (1100)F						
1 White Hart Yard, London SE1 1NX 01-407 5966						
CCF Sel High Inc Eqty	5½	46.53	46.53	50.23	5.5	—
CCF Sel Intl Gwth	5½	48.11	48.11	51.68	1.41	46970
CCF Sel Inv Tst	5½	46.26	46.26	50.30	2.0	—
CCF Sel UK Sm Co's	5½	45.49	45.49	49.78	1.0	—
CCL Unit Trusts Ltd (1400)F						
74 Shepherds Bush Green, W12 8SD 01-740 7070						
UK General Tst	5¼	52.39	53.35	56.96	2.86	40217
Global Tst	5¼	46.11	46.57	49.54	0.35	40218
Recovery Tst	5¼	45.17	46.36xd	49.31	1.92	40219
CIBC Unit Tst Managers plc (1200)H						
Cottons Ctr, Cottons Lane, Ldn, SE1 2QL 01-234 6000						
Growth Fd Acc	5	112.3	114.1	120.4	4.36	40220
CIS Unit Managers Ltd (1000)F						
PO Box 105, Manchester M60 0AH 061 837 5060						
UK Growth	6	99.00	100.6xd	107.1	2.45	47065

PK English Trust (Inv Man) Ltd (1000)F

12 Carthusian St, London EC1M 6EB 01-796 1200

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
American*	4	62.99	63.42	66.45	0.0	41119
Far Eastern*	4	181.86	186.16	193.61	0.3	46478
Growth†	4	180.27	182.48	192.96	3.2	41117
Income†	4	134.42	136.04	144.75	5.4	41118
Scandinavian†	4	78.65	80.64	83.87	0.3	41120

† Dealing Day: Wed. *Dealing day: Thurs.

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♥ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ♠ - 1401 to 1700 hours; ♣ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

SCHEME PARTICULARS AND REPORTS
The most recent report and scheme particulars can be obtained free of charge from fund managers. Other explanatory notes contained in last column of the FT Unit Trust Information pages.

FT UNIT TRUST INFORMATION SERVICE

● For Current Unit Trust Prices on any telephone ring direct-0836 4 + five digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

Thornton Unit Managers Ltd (1000)F
33 Cavendish Sq., London W1M 7HF 01-493 7262
Dealing 01-493 8545

Unit Name	Init Charge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
American Opps	5	51.65	52.49xd	55.98	0.30	41506
(Accum Units)	5	53.15	54.02xd	57.61	0.30	41507
European Opps	5	77.63	77.93	83.11	0.00	41508
(Accum Units)	5	78.06	78.36	83.57	0.00	44366
Far Eastern Opps	5	136.23	136.59xd	145.69	0.00	41509
(Accum Units)	5	137.10	137.47xd	146.62	0.00	41510
Golden Opps	5	45.13	45.13	48.13	0.00	41511
(Accum Units)	5	46.42	46.42	49.51	0.00	44367
Intl Hi-Yield	5	59.48	59.94	63.93	4.31	41512
(Accum Units)	5	64.84	65.34	69.69	4.31	46168
Sanyo Japan Tst	5	68.12	68.12	72.65	0.00	41513
(Accum Units)	5	68.12	68.12	72.65	0.00	41514
Kangaroo	5	31.90	31.90	34.02	1.52	41515
(Accum Units)	5	32.08	32.08	34.21	1.52	46369
Oriental Income	5	34.02	34.06xd	36.32	5.15	41516
(Accum Units)	5	38.66	38.70xd	41.27	5.15	41517
Pacific Technology	5	61.14	61.14xd	64.63	0.00	41518
(Accum Units)	5	61.64	61.64xd	65.16	0.00	41519
Tiger	5	153.01	153.01	163.20	0.68	41520
(Accum Units)	5	155.40	155.40	165.75	0.68	41521
UK Hi-Yield	5	43.02	43.02	45.87	4.98	41522
(Accum Units)	5	49.18	49.18	52.45	4.98	46302
UK Opps	5	54.02	56.62xd	60.55	0.70	41523
(Accum Units)	5	58.78	61.61xd	65.88	0.70	41524

Three Counties Asset Mngmt Ltd (1430)F
Cuthbert House, Tower Road, Washington NE37 2SH 091 415 3034

Balanced Portfolio	6	91.42	92.97	98.90	4.00	–

Touche Remnant Unit Tst Mngt Ltd (1600)F
Mermaid Hse, 2 Puddle Dock, EC4V 3AT 01-248 1250
4 Hourly Pricing – 12 Noon Historic

TR American Gwth	5¼	48.05	48.05	51.25	0	41525
TR Eur Sp Sits Acc	5¼	44.16	44.16	47.02	0	41526
TR Eur Sp Sits Inc	5¼	43.3	43.3	46.11	0	41527
TR Far East Opps Inc	5¼	23.75	23.75	25.00	–	–
TR Far East Opps Acc	5¼	23.75	23.75	25.00	–	–
TR General Growth	5¼	73.86	73.86	78.57	2.82	41528
TR Global Tech	5¼	75.15	75.15	80.16	0	41529
TR Income Growth	5¼	85.74	86.24	91.74	4.47	41530
TR Income Monthly	5¼	53.53	53.53	56.94	7.06	41531
TR Japan Growth	5¼	89.25	89.25	94.69	0	41532
TR Overseas Growth	5¼	67.89	67.89	72.42	0	41533

J. Rothschild Fund Managers Ltd

	Bid Price	Offer Price	Yield Gross	City-line
Intl Exempt	142.6	144.2	3.56	40172

Stewart Ivory & Co Ltd

Saints PPP Feb 14	258.6	272.3	0.00	41422

Closed to new business

Thornton Unit Managers Ltd

Managed Exempt Mar 15	101.41	107.99	3.83	46975
(Accum Units)	102.03	108.65	3.83	46976

Touche Remnant Unit Tst Mngt Ltd

TR Exempt European	1110	1120	2.60	47801
TR Exempt Nth Amer	975	989	3.30	47802
TR Exempt Pac Basin	947	959	0	47803

INSURANCES

AA Friendly Society
(Investment Mngt M & G Inv Mngt Ltd)

AA Friendly Sy Mar 9	–	169.5	–	41607

Abbey Life Assurance Co Ltd
80 Holdenhurst Road, Bournemouth 0202 292373

Prop. Ser. 1	301.1	317.0	–	41608
Equity Ser. 1	129.5	136.4	–	41609
Prop. Acc. Ser 2	464.1	488.6	–	41610
Equity Ser 2	150.2	158.2	–	41611
Selective Acc.	341.7	359.7	–	41612
Prop. Ser. 4	362.8	381.9	–	41613
Equity Ser. 4	152.8	160.9	–	41614
Man. Ser. 4	439.1	462.3	–	41620
Fixed Int. Ser. 4	208.4	219.5	–	41615
Indexed Inv. Ser. 4	139.5	146.9	–	41616
American Ser. 4	326.0	343.2	–	41617

[illegible]

Clerical Medical Investments Group
Narrow Plain, Bristol BS2 0JH 0272-290566

With-Profits (Reg)	124.7	131.3	–	41990
With-Profits (Single)	124.7	131.3	–	41991
Mixed	154.6	162.8	–	41992
Index Linked	111.4	117.3	–	41993
Cash	122.6	129.1	–	41994
Special Situations	107.9	113.6	–	41995
International	135.0	142.2	–	41996
Gilt & Fixed Int	95.9	101.0	–	41997
UK Equity	143.2	150.8	–	41999

[illegible]

Equity & Law—Contd.

Pens N America (z)	113.6	119.5	–	42239
Pens Far East (z)	212.9	224.1	–	42240
Pens Europe (z)	197.4	207.9	–	42241
Pens Overseas (z)	593.7	624.9	–	42242
Pens Property (z)	430.4	453.0	–	42238
Pens Fixed Int (z)	312.1	328.5	–	42236
Pens Index-Linked Sec (z)	158.4	166.7	–	42237
Pens Cash (z)	293.1	308.5	–	42244
Pens DAF Series 2 (z)	167.0	175.7	–	42245
Pens DAF Series 1 (z)	324.3	341.3	–	42246

For FS Assce Ltd see Britannia Life Ltd

[illegible]

Guardian Royal Exchange—Contd.
GRE Linked Life Assurance Ltd

Managed Initial	376.0	395.8	–	42438
Do. Accum	482.2	507.6	–	42439
Equity Initial	569.4	599.3	–	42440
Do. Accum	730.1	768.5	–	42441
Fixed Int. Initial	264.6	278.6	–	42442
Do. Accum	339.3	357.2	–	42443
Intnl. Initial	362.7	381.8	–	42444
Do. Accum	465.1	489.6	–	42445
North American Initial	120.2	126.6	–	42446
Do. Accum	140.3	147.7	–	42447
Pacific Initial	218.4	229.9	–	42448

[illegible]

Laurentian Life plc—Contd.
formerly Trident Life
Life Funds

Equity Ser 3 Acc	476.8	501.9	–	42609
Gtd Managed Acc	334.7	352.3	–	42606

Pension Funds

Pens Equity	646.2	680.2	–	42629
Pens Managed	596.8	628.2	–	42630
Pens Gilt-Edge	361.4	380.4	–	42631
Pens Deposit	373.9	393.6	–	42632
Pens Property	570.8	600.8	–	42633
Swiss Bond	184.1	193.8	–	42634

[illegible]

Merchant Investors Assurance Co Ltd – Contd.

MI UK Fund		540.2	–	42936
MI UK Pens		647.5	–	42937
MI Intl Equity		586.1	–	42938
MI Intl Equity Pens		605.3	–	42939
MI International Fund		368.4	–	42940
MI Intl Fd Pens		537.4	–	42941
MI Nth American Equity Fund		138.4	–	42942
MI Nth Am Equity Pens		153.3	–	42943
MI Far East Equity Fund		317.8	–	42944
MI Far East Equity Pens		427.5	–	42945
MI Currency Fund		205.6	–	42946
MI Currency Fd Pens		265.2	–	42947

[illegible]

OTHER UK UNIT TRUSTS

[illegible]

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

● For Current Unit Trust Prices on any telephone ring direct-0836 4 + five digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

National Financial Management Corp PLC

72 Cambourne Rd, Aylesbury, HP19 3XJ 0296 395539

	Bid Price	Offer Price	Yield Gross	City-line
Life Funds				
Managed Cautionary	102.4	107.8	–	47150
Managed Growth	140.7	148.2	–	47151
Managed Opportunity	144.5	152.2	–	47152
NFMC Target Financial	100.4	105.7	–	47153
Pension Funds				
Managed Cautionary	107.2	112.9	–	47154
Managed Growth	144.8	152.5	–	47155
Managed Opportunity	147.8	154.8	–	47156
NFMC Target Mngd Pen	1500.1	1567.5	–	47157

National Mutual Life

The Priory, Priory Pl, Hitchin, SG5 2DW 0462 422422

	Bid Price	Offer Price	Yield Gross	City-line
Managed Fund	221.0	232.7	–	43122
Managed Pension Fund	185.5	195.3	–	43125
Pens Managed	285.3	300.4	–	43128
Pens UK Equity	331.8	349.3	–	43129
Pens Overseas Equity	404.7	426.0	–	43130
Pens Property	160.7	169.2	–	43131
Pens Fixed Interest	168.5	177.4	–	43132
Pens Index Linked	142.3	149.8	–	43133
Pens Deposit	191.2	201.3	–	43134
Surrender & P.R.P.				
UK Equity	145.0	152.7	–	43135
Overseas Equity	144.6	152.5	–	43136
Fixed Interest	115.1	121.2	–	43137
Property	133.7	140.8	–	43138
Index Linked	129.2	136.1	–	43139
Deposit	132.7	139.7	–	43140
Managed	143.8	151.4	–	43141
With Profits	135.9	143.1	–	43142

National Provident Institution

48 Gracechurch St, London EC3P 3HH 01-623 4200

	Bid Price	Offer Price	Yield Gross	City-line
Managed	341.0	359.0	–	43163
UK Equity	433.1	455.9	–	43164
Overseas Eq.	363.5	382.7	–	43165
American	269.2	283.4	–	43166
Far East	383.4	403.6	–	43167
Property	220.5	232.2	–	43168

Providence Capital Life Assc. Co Ltd — Contd.

	Bid Price	Offer Price	Yield Gross	City-line
UK Managed Initial	124.8		–	[illegible]
Property Initial	166.3		–	[illegible]
Money Initial	79.2		–	[illegible]
Special Market Initial	137.3		–	[illegible]
Japan Equity Initial	103.4		–	[illegible]
North American Initial	84.1		–	[illegible]
Pacific Initial	80.8		–	[illegible]
Technology Initial	105.4		–	[illegible]
Nat Resources Initial	98.3		–	[illegible]
European Initial	106.8		–	[illegible]
Residential Prop Init.	103.7		–	[illegible]
Swiss Equities Initial	37.8		–	[illegible]
Hong Kong Initial	40.1		–	[illegible]
UK High Inc Eq Init.	68.3		–	[illegible]
Int. Fixed Interest Init.	48.7		–	[illegible]
Int Managed Init.	56.6		–	[illegible]
RHP Managed Init.	113.6		–	[illegible]
RIP Managed II Initial	98.8		–	[illegible]
Broker Funds				
High Performance	75.9	80.0	–	[illegible]
Towerhill Mngd Fd Acc	52.7	55.5	–	[illegible]
YRA Executive Fd.	92.5	97.3	–	[illegible]
£ Global Growth Acc	130.5	137.6	–	[illegible]
£ High Income Money Acc	111.4	117.7	–	[illegible]
HF Balanced	89.1		–	[illegible]
H.F. Speculator Fd.	158.9		–	[illegible]
PEP Acorn II	125.2		–	[illegible]
PEP Cautionary	87.9		–	[illegible]
AAPS Int. Mar Fund	120.5		–	[illegible]
Anderson-Green Pr Port.	103.7		–	[illegible]
Individual Pension Funds				
UK Equity Acc	221.0	233.7	–	[illegible]
UK Fixed Interest Acc.	172.2	181.7	–	[illegible]
Intl Equities Acc	250.8	264.6	–	[illegible]
UK Managed Acc	180.9	190.8	–	[illegible]
Property Acc	208.9	220.4	–	[illegible]
Money Acc	136.7	144.3	–	[illegible]
Special Market Acc.	277.1	292.4	–	[illegible]
Japan Equity Acc.	210.5	222.1	–	[illegible]
North American Acc.	131.3	138.6	–	[illegible]
Pacific Acc.	198.7	209.7	–	[illegible]

[illegible]

OFFSHORE AND OVERSEAS

GUERNSEY (SIB RECOGNISED)

MANAGEMENT SERVICES

[illegible]

IoM (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

JERSEY (SIB RECOGNISED)

[illegible]

FT UNIT TRUST INFORMATION SERVICE

● For Current Unit Trust Prices on any telephone ring direct-0836 4 + five digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

Hill Samuel Investment Services Intl SA

Marktgasse 63/65, 3001 Berne, Switzerland 229051

Hill Samuel Global Portfolio

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Global Equity		$–	9.47		–	–
Global Bond		$–	9.18		–	–
Global Managed		$–	9.41		–	–
Sterling Fixed Int		£–	9.46		–	–
European Fixed Int		DM–	8.90		–	–
UK Equity		£–	9.07		–	–
UK Smaller Co's Eqty		£–	9.56		–	–
Nth American Equity		$–	9.43		–	–
US Smaller Co's Eqty		$–	9.27		–	–
Japanese Equity		Y–	936		–	–
European Equity		DM–	10.07		–	–
Pacific Basin Equity		$–	9.29		–	–

Hypo Foreign & Colonial P'folio Fd Sicav

1 Laurence Pountney Hill, London EC4R 0BA 01-623 4680

Foreign & Colonial Portfolios Fund

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Am Smlr Cos Eqt(1-2)		$–	11.17		–	45000
Oriental Eqty(1-8)		$–	10.46		–	45004
European Eqty(1-3)		$–	14.73		–	45001
Nordic Equity		$–	15.11		–	45002
Amer Majors Equity		$–	9.43		–	45003
West Pacific Equity		$–	10.82		–	47334
Medit'r'n Equity		$–	9.66		–	47550
British Equity		$–	9.14		–	47546
US Dlr S-Term Asset		$–	–		–	47547
Stg Short-Term Asset		£–	–		–	47555
Nth American Bond		$–	9.90		8.6	47551
Multi-Currency Bond		$–	10.01		8.60	47549
Sterling Bond		£–	9.22		10.00	47552

* Daily dealing

Ivory & Sime (Luxembourg) SA

SWITZERLAND (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (**)

JERSEY (**)

ISLE OF MAN (**)

LUXEMBOURG (**)

DUBLIN (**)

AIG Fund Management Ltd "MI Trusts"

OFFSHORE INSURANCES

OTHER OFFSHORE FUNDS

Wardley Investment Services Ltd

	Bid Price	Offer Price	Yield Gross	City-line
Wardley S E Asia Tr.	$12.58	13.35	0.82	45993
Japanese Warrants	$7.97	8.44	–	–
Asian Warrants	$9.29	9.84	–	–
European Warrants	$9.24	9.79	–	–

Wells Fargo U.S. IT Fund

	Bid Price	Offer Price	Yield Gross	City-line
NAV Mar 15	$9.59		–	47659

Xiphias International Investment Fd Ltd

	Bid Price	Offer Price	Yield Gross	City-line
Xiphias Int USD	$0.9985		–	–
Xiphias Int ECU	Ecu1.0023		–	–

Yamaichi Dynamic Mngt Co SA

	Bid Price	Offer Price	Yield Gross	City-line
Advanced Tech	$23.67		–	46002

Money Market Trust Funds

	Gross	Net	Gr Eqv CAR	City-line
Charities Aid Fndtn Money Mngmt Co Ltd				
48 Pembury Road, Tonbridge TN9 2JD 0732 770114				
Cafcash Deposit Fd	14.90	–	15.75	–
The Charities Deposit Fund				
2 Fore Street, London EC2Y 5AQ 01-588 1815				
Deposit	14.90	–	15.75	–
Gartmore Money Management Ltd				
2-3 White Hart Yard, London SE1R 1NX. 01-236 1425				
Call Fnd	14.95	11.69	16.05	–
7-day Fund	15.00	11.74	16.11	–
Special Fund	14.85	–	16.35	–
Dollar	7.00	5.48	7.45	–

Money Market Bank Accounts

	Gross	Net	Gr Eqv CAR	City-line
Aitken Hume Bank plc				
30 City Road, EC1Y 2AY. 01-638 6070				
Treasury Acc.	13.50	10.56	14.64	–
Mthly Int Chq £1,000-£4,999	13.50	10.56	14.77	–
Mthly Int Chq £5,000-£49,999	14.00	10.95	15.35	–
Mthly Int Chq £50,000+	14.50	11.35	15.94	–
Allied Trust Bank Ltd				
97-101 Cannon St, London, EC4N 5AD 01-629 6802				
OMRA (£2,001 +)	14.50	11.35	15.94	–
HICA (£2,001 +)	13.90	10.88	15.248	–
Bank of Ireland High Interest Cheque Acc				
36 Queen St, EC4R 1BN. 01-625 7000				
2,000-9,999	13.738	10.750	14.922	–
£10,000+	14.058	11.000	15.283	–
Bank of Scotland				
38 Threadneedle St, EC2P 2EH 01 601 6746				

UNIT TRUST NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

MONEY MARKETS

Clouds seen on the horizon

Clouds were sighted on the horizon last week, but as far as the financial markets were concerned it was hard to tell whether this was the prelude to a major storm.

UK clearing bank base lending rate 15 per cent from October 5

Yesterday's election in East Germany kept Frankfurt unsettled, since it was an important event on the way to German unification. Tokyo was nervous about a long expected rise in the Japanese discount rate, but the Bank of Japan had made no move by the end of the week.

These factors could be pushed into the background this week as the markets prepare for the US trade figures tomorrow, plus some important UK data and the Budget on Tuesday.

A widening of the January US trade deficit to around $9.5bn from $7.2bn is expected, but if the D-Mark, yen and sterling continue to have little attraction this may not do very much damage to the dollar.

There are hopes that the February UK current account deficit on Thursday will narrow to £1.3bn from £1.9bn, while tomorrow's money supply data is not expected to show much change in the level of bank lending from January's rise of £5.8bn. On the other hand City economists have tended to be too optimistic in forecasting UK figures recently.

The UK Budget tomorrow is of great importance and will need to be tight if confidence in sterling is to be maintained, but this will not help rebuild the ruling Conservative Party's popularity. If the Government does not soon improve its rating in the opinion polls, political rather than economic factors are likely to drag the currency down.

£ IN NEW YORK

Mar.16	Close	Previous Close
£ Spot	1.6185-1.6195	1.6210-1.6220
1 month	0.90-0.89pm	0.90-0.89pm
3 months	2.61-2.58pm	2.60-2.58pm
12 months	9.15-9.05pm	9.12-9.02pm

Forward premiums and discounts apply to the US dollar

CURRENCY MOVEMENTS

[illegible]

STERLING INDEX

[illegible]

CURRENCY RATES

[illegible]

OTHER CURRENCIES

[illegible]

CHICAGO

[illegible]

POUND SPOT- FORWARD AGAINST THE POUND

[illegible]

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

[illegible]

EXCHANGE CROSS RATES

[illegible]

EURO-CURRENCY INTEREST RATES

[illegible]

FT LONDON INTERBANK FIXING

[illegible]

MONEY RATES

[illegible]

LONDON MONEY RATES

[illegible]

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

BANK OF ENGLAND TREASURY BILL TENDER

[illegible]

WEEKLY CHANGE IN WORLD INTEREST RATES

[illegible]

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	FRIDAY MARCH 16 1990						THURSDAY MARCH 15 1990			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	% change since Dec.29 '89	Pound Sterling Index	Local Currency Index	% change local currency since Dec.29 '89	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1989/90 High	1989/90 Low	Year ago (approx)
Australia (83)	139.31	−8.0	127.14	122.82	−3.6	5.66	138.56	126.96	121.97	160.41	128.28	138.33
Austria (19)	279.77	+53.5	255.33	246.51	+54.1	1.08	275.46	252.41	244.49	279.77	92.84	104.74
Belgium (61)	144.51	−6.8	131.88	125.44	−7.8	4.45	142.75	130.80	124.62	160.02	125.58	131.14
Canada (120)	143.63	−5.8	131.09	122.73	−3.9	3.29	143.63	131.61	122.52	154.17	124.67	134.91
Denmark (36)	258.73	+6.8	236.13	228.64	+5.5	1.40	256.15	234.71	228.10	280.82	165.35	169.09
Finland (26)	142.09	+6.6	129.67	119.50	+5.7	2.44	140.27	128.53	118.88	159.16	118.63	143.27
France (125)	152.71	−2.1	139.37	137.14	−3.1	2.75	152.20	139.46	137.39	157.87	112.57	114.11
West Germany (96)	131.61	+6.4	120.11	115.94	+6.6	1.83	130.74	119.80	115.72	137.01	79.58	83.85
Hong Kong (48)	118.48	+1.2	108.13	118.82	+1.2	4.95	118.47	108.56	118.81	140.33	88.41	132.18
Ireland (17)	188.13	+3.6	171.69	168.73	+2.5	2.49	186.78	171.15	168.27	198.57	125.00	144.77
Italy (96)	96.11	−2.4	87.72	89.80	−3.7	2.58	95.17	87.20	89.34	102.11	74.97	80.52
Japan (455)	151.34	−23.3	138.12	145.70	−18.8	0.56	151.60	138.91	146.13	200.11	151.34	185.73
Malaysia (36)	234.61	+2.4	214.12	245.46	+3.1	2.16	234.32	214.71	245.06	245.32	143.35	160.79
Mexico (13)	406.99	+25.0	371.43	1174.74	+22.7	0.44	404.03	370.22	1168.21	408.41	153.32	165.75
Netherland (43)	139.30	−3.2	127.13	121.34	−3.3	4.58	138.13	126.57	120.89	145.66	110.63	115.44
New Zealand (18)	64.68	−10.3	59.03	58.37	−9.4	6.08	65.15	59.70	58.47	88.18	61.96	70.59
Norway (24)	245.90	+23.0	224.42	219.20	+22.5	1.54	243.75	223.35	218.60	245.90	139.92	170.37
Singapore (26)	193.40	+9.1	176.50	166.93	+7.6	1.74	192.22	176.14	166.00	199.38	124.57	147.82
South Africa (60)	200.46	+2.0	182.97	174.59	+14.8	3.38	199.82	183.10	172.98	251.39	115.35	140.32
Spain (43)	145.58	−10.7	132.86	120.21	−11.1	4.37	145.33	133.16	120.55	169.75	143.14	146.45
Sweden (35)	177.87	−7.4	162.33	161.67	−8.2	2.43	176.70	161.91	161.68	206.95	138.45	157.89
Switzerland (62)	93.04	−1.1	84.91	86.98	−3.3	2.17	92.03	84.33	86.81	99.12	67.81	75.69
United Kingdom (306)	149.30	−5.9	136.26	136.26	−6.6	4.80	147.00	134.69	134.69	164.31	133.28	148.40
USA (541)	138.10	−3.5	126.03	138.10	−3.5	3.46	136.64	125.21	136.64	146.29	112.13	119.18
Europe (966)	139.21	−2.2	127.05	124.56	−2.9	3.51	137.79	126.26	123.89	146.66	112.63	118.30
Nordic (121)	191.07	+2.0	174.38	164.53	+1.0	1.90	189.43	173.58	164.26	201.89	137.95	148.95
Pacific Basin (666)	149.73	−22.3	136.65	143.78	−17.8	0.86	149.93	137.39	144.14	194.72	149.73	181.46
Euro−Pacific (1655)	145.83	−15.6	133.09	136.50	−12.7	1.88	145.38	133.21	136.42	174.18	141.56	156.21
North America (661)	138.33	−3.6	126.25	137.12	−3.6	3.45	136.97	125.50	135.75	146.66	112.79	120.02
Europe Ex. UK (683)	131.38	+0.2	119.91	117.10	−0.4	2.70	130.47	119.55	116.90	135.73	98.30	99.73
Pacific Ex. Japan (211)	129.85	−3.8	118.51	118.29	−1.3	4.96	129.46	118.63	117.61	140.05	111.93	130.27
World Ex. US (1848)	146.44	−15.0	133.64	136.75	−12.1	1.95	145.99	133.77	136.65	173.77	141.49	155.32
World Ex. UK (2083)	141.73	−12.0	129.35	137.16	−9.7	2.21	141.09	129.28	136.72	162.00	136.98	140.64
World Ex. So. Af. (2329)	142.03	−11.5	129.63	136.78	−9.8	2.45	141.24	129.42	136.23	161.84	136.67	141.32
World Ex. Japan (1934)	139.19	−3.0	127.03	132.74	−3.0	3.53	137.85	126.32	131.88	145.52	114.51	120.05
The World Index (2389)	142.39	−11.4	129.95	137.04	−9.4	2.46	141.59	129.74	136.49	162.05	136.68	141.32

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.65 (US $ Index), 114.45 (Pound Sterling) and 123.22 (Local).

Copyright, The Financial Times Limited, Goldman, Sachs & Co., and County NatWest Securities Limited. 1987

Constituent changes : Deletion 16/3/90: Industrial Equity (Australia). Name change 13/3/90: English China Clays to ECC Group (UK).

CROSSWORD

No.7,192 Set by PROTEUS

ACROSS

1 Flier getting early start in north wind (6)
4 Takes for granted total accepted by confused peers (8)
10 Financial share that is often dug into (9)
11 Part of full if erroneous sentence (5)
12 Departed behind schedule (4)
13 Hope Paris turns out article on it perhaps (10)
15 Sun may come out now with number on Sir Robin (7)
16 Old-fashioned figure (6)
19 Fool throwing out net agreement (6)
21 Writer coming to don's aid? (7)
23 Reading about mention in US dispatches (10)
25 Cockney trio liberated? (4)
27 Provide food with trace elements (5)
28 Sign rain is to fall on book-keeper (9)
29 Normal term for flag (8)
30 Conditions in America? (6)

DOWN

1 Wrinkle found in newspaper (8)
2 Family stories (9)
3 Food some provide at supper (4)
5 Keeps controls over military body (7)
6 Medley of animals dug out (10)
7 Civilian clothes or church ladies outfit (5)
8 Bound to be a source of water (6)
9 Wool from a cow (6)
14 Risked coming on rude passage (10)
17 Reserve showing control (9)
18 Resident physicians and fashionable sailors in river (8)
20 He gives away secrets of magazine it is said (7)
21 Early life-form proving me a boa-constrictor? (6)
22 Signs that it may be hard to hold vehicle up (6)
24 Pin we are told for a surplice (5)
26 Some need to catch up (4)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday March 31.

JOTTER PAD

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

Index-Linked

BRITISH FUNDS—Contd

[illegible]

INT. BANK AND O'SEAS

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Public Board and Ind.

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

AMERICANS—Contd

[illegible]

CANADIANS

[illegible]

Continued on next page

LONDON SHARE SERVICE

● For Latest Share Prices on any telephone ring direct-0836 43 + four digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

BANKS, HP & LEASING

Market Cap. £m	Stock	Price	Week % change	Y'ld Gr's	Last xd	Dividends Paid	City-line
2,314.4	ANZ SA1	248	-1.2	8.0	8.1	Feb July	1698
2,462.0	Abbey National 10p	188xd	-0.8	6.0	12.3	Apr Oct	5411
1,482.5	Allied Irish Ord	261	+4.0	3.1	27.11	Dec July	1354
1,355.7	Algemene Fl.10	£19½	+6.6	6.8	2.5	Aug May	1567
33.1	Anglo Irish	83	+10.7	5.3	27.11	Jan Aug	1355
138.1	Ansbacher (H.) 1p	74xd	-2.0	4.5	12.3	April	1624
1,057.2	Bancaire Cie Fr100	£61¼	+2.3	2.1	9.5	May Mar	2202
4,533.6	Banco Bilbao Viz	£37½	+0.3	3.6	4.12	Dec June	-
3,088.3	Banco de Santander	£26½	+4.4	3.9	31.10	Apr Oct	-
871.6	Bank Ireland Ir£1	261	+3.6	4.5	27.11	July Dec	1360
134.4	Bank Leumi	£19½	+8.3	-	-	-	1740
23.6	Bank Leumi (U.K.)	345	....	5.2	26.2	Mar Sep	1740
882.4	Bank Scotland	117	+1.7	4.3	2.10	Nov June	1742
92.0	Do. 9¼pc Irrd Pf	92	-1.6	13.4	30.10	May Nov	1462
16.6	Bank of Wales	52	....	7.2	2.10	Nov Jun	1743
6,395.8	Barclays £1	569xd	-0.4	6.4	12.3	Oct May	1754
10.2	Beneficiary 20p	19	....	11.4	18.9	May Oct	1802
49.9	Brown Shipley £1	373	....	4.5	27.11	Jan Aug	1983
77.8	Cater Allen £1	410	-0.5	7.6	27.11	Jan. July	2081
30.9	Chancery	152	+0.7	7.0	27.11	Jan July	2102
485.4	Commerzbk DM10	£21½	+1.3	3.1	27.5	May	1046
338.6	C'hgn.Hbk.Kr100	£25¼	+0.7	5.7	22.3	March	2237
27,821.7	Dai Ichi KBk Y50	£10¾	-1.7	0.3	4.7	June	3221
8,668.0	Deutsche Bk DM50	£285¼	+2.6	1.5	11.5	May	2345
140.6	Espirito Santo	£19¾	....	2.3	-	June	5187
348.5	First Nat. Fin. 10p	221	+1.4	7.8	15.1	Mar Aug	2571
54.7	FNFC 6.3pc Cv. Pf	115	....	7.4	27.12	July	2570
33,947.2	Fuji Bank Y50	£12¾	....	0.2	4.7	Dec June	1084
104.1	Gerrard & National	273	+0.4	9.0	30.10	June Dec.	2686
95.9	Guinness Mahon 10p	148	-1.3	1.9	27.12	Jan Feb	5074
470.2	Hambros 20p	290	-3.3	4.6	11.12	Jan Sep	2812
172.5	Do. 7.5pc Cv Pf	115xd	-3.8	8.7	12.3	Apr Oct	4388
3,257.0	HK & Shang. HK$2.50	56	-3.4	5.8	17.4	May Sep	-
24.0	Joseph (Leo) £1	458	-1.1	4.6	11.12	Jan Sept	3060
21.8	King & Shaxson 20p	138	....	8.9	13.11	June Dec.	3088

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS – Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ELECTRICALS – Contd

[illegible]

ENGINEERING

[illegible]

ENGINEERING – Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INDUSTRIALS (Miscel.) – Contd.

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

مكتبة الأصيل

LONDON SHARE SERVICE

● For Latest Share Prices on any telephone ring direct-0836 43 + four digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

MOTORS, AIRCRAFT TRADES

Market Cap. £m	Stock	Price	Wk % change	Y'ld Gr's	Last xd	Dividends Paid	City-line
339.8	DAF N.V. Fl.5	£11½	+9.8	5.9	–	–	4773
–	General Mtrs Units	147	+6.0	5.1	12.2	Mr Jn Sp D	2678
8.95	Hilarch Comp 5p	40	–	–	15.6	–	3294
5,803	Volkswagen DM50	£288½	+2.9	1.6	–	July	–
1,880.3	Volvo Kr25	£36⅞	–2.9	3.8	27.4	May	4410

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Contd

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND—Contd

[illegible]

Finance, Land, etc

[illegible]

WATER

[illegible]

For Water Package Units see Recent Issues

OIL AND GAS

[illegible]

OIL AND GAS—Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

Tins

[illegible]

MINES—Contd

Miscellaneous

[illegible]

THIRD MARKET

Market Cap. £m	Stock	Price	Wk % change	Y'ld Gr's	Last xd	Dividends Paid	City-line
[illegible]							
7.67	Tavern Leis. 20p	33	+3.4	–	–	–	4367
8.85	Tomorrows Leisure 20p	79	–2.5	–	–	–	4248
2.02	UPL Group 10p	50	....	–	22.5	Dec. July	4362
7.75	Unit Group	146	+0.7	4.6	11.12	Jan Aug	4357
13.1	Video Magic Leis. 1p	79	–2.5	3.4	26.1	Jan July	5071
3.84	Vista Ents 5p	4	....	–	–	–	3994
8.56	Vizcaya Hldgs 5p	16	....	–	–	–	4193
60.8	Whitegate Leisure 20p	99	+8.5	0.9	12.2	April	1105
1.47	Do. Wrrnts	22	....	–	–	–	1116
20.1	Wilton Group 1p	4½	–10.0	–	–	–	5628

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices are in pence and denominations are 25p. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

● "Tap Stock"
‡ Interim since reduced, passed or deferred
‡‡ Tax-free to non-residents on application
♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
✦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
‡‡ Not officially listed.
# Price at time of suspension
§ Not comparable
¶ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
# Cover does not allow for shares which may also rank for dividend at a future date.
‖ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. c Cents. e Redemption yield. f Flat yield. k Kenya. C Canadian. E Minimum tender price.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xR ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	81	–2.4
Craig & Rose £1	828	......
Finlay Pkg. 5p	58	+1.8
Holt (Jos) 25p	1345	+0.1

IRISH

Cap. 8½% Ln. 1991	£96	......
9pc Cap Ln. 1996	£99¾	+0.4
Fin. 13% 97/02	£107½	......
Arnotts	490	......
Carrol (P.J.)	163	+6.5
Hall (R. & H.)	180	–2.7
Helton Hldgs	98	......
IRG	215	......
United Drug	167	+1.2

TRADITIONAL OPTIONS

3-month call rates

Industrials

	p
Allied-Lyons	39
Amstrad	5½
Astec (BSR)	5½
BAT	85
BOC Grp	45
BTR	36
Barclays	49
Blue Circle	19
Boots	25
Bowaters	38
Brit Aerospace	42
British Steel	9
Brit. Telecom	25
Cadburys	27
Charter Cons.	48
Comm Union	48
Courtaulds	31
Eurotunnel	68
FKI	7
FNFC	21
Gen Accident	90
GEC	18
Glaxo	56
Grand Met	45
Guardian	19
GKN	33
Hanson	18
Hawker Sidd	55
ICI	85
Ladbroke	25
Legal & Gen	34
Lex Service	26
Lloyds Bank	22
Lucas Inds	52
Marks & Spencer	17
Midland Bk	27
Nat West Bk	29
P & O Dfd	58
Polly Peck	37
Racal Elect	19
RHM	35
Rank Org Ord	68
Reed Intnl	33
STC	20
Sears	9½
SmKl. Beecham A	46
TI	38
TSB	11
Tesco	17
Thorn EMI	61
Trust Houses	22
T&N	17
Unilever	56
Vickers	18
Wellcome	60

Property

Brit Land	32
Control Secs	5
Land Securities	44
MEPC	44
Mountleigh	14

Oils

Aviva Petlm	5½
Brit Petroleum	28
Burmah Oil	52
Conroy Petlm	12
Gaelic Res	4½
Premier	10
Shell	37
Tuskar Res	10
Ultramar	31

Mines

Lonrho	22
RTZ	45

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £1650 per annum for each security.

ADVERTISING YOU'LL TURN TO FIRST

For advertising and media firsts (like this) call Peter Valler now

Tel: 01-353 5272

HAZLITT

Hazlitt House, 4 Bouverie Street, London, EC4Y 8AB. Fax 01-353 3401

4pm prices March 16

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		- A - A - A -								
37½	28	AAR	.48	1.6	18	2498	29⅞	28½	29⅞	+1⅛
9¾	8½	ACM n	1.26	14.		67	9⅛	9	9⅛	
11⅝	10½	ACMIn	1.26	12.		588	11	10¾	10⅞	-⅛
9⅞	7⅝	ACM M	n1.01	13.		414	7⅞	7¾	7⅞	
12¼	11½	ACMMM				113	11⅝	11⅝	11⅝	
11½	10	ACM Sc	1.26	12.		633	10⅞	10⅝	10⅞	
9⅝	8⅛	ACMSp	1.01	12.		398	9	8¼	8¼	-⅛
22⅛	13	AL Lab	.15	.7	20	18	21½	21¾	21½	
6⅛	3⅛	AM Intl			10	5948	3¼	3⅛	3⅛	
23½	16⅛	AM In pf	2	12.		15	17	16⅞	16⅞	-⅛
107¼	82½	AMR			8	9636	86⅛	83½	84⅞	+1¼
72¼	39	ASA	3a	5.4		1820	56⅝	55¼	56	+⅛
70⅞	50⅞	AbtLab	1.68	2.6	17	6717	65½	64⅝	64⅝	+⅛
17¼	11⅛	AbitIbi g	.50			2089	13½	13¼	13⅛	-⅛
13	8⅞	AcmeC	.40	4.2	11	77	9⅝	9⅝	9⅝	+⅛
9¼	7	AcmeE	.32	3.6	12	67	9⅛	9	9	
38½	27	Acuson			22	282	34¾	34½	34½	-¼
16½	12⅞	AdaEx	2.06e	13.		163	16	15⅞	16	+⅛
15⅝	7⅛	Adobe				29	12⅞	12⅞	12⅞	-⅛
20¼	16⅞	Adob pf	1.84	9.8		11	19	18¾	18¾	-¼
21⅝	19⅞	Adob pf	2.40	11.		12	21⅜	21⅜	21⅜	
10½	6⅞	AMD			21	5505	9⅜	9	9¼	+⅛
35	28¼	AMD pf	3	9.9		203	30⅜	28½	30⅜	+⅞
10½	5	Advest	.16	2.7	8	5	6	6	6	-⅛
62½	48½	AetnLf	2.76	5.5	9	1646	50⅝	50⅛	50½	+⅝
14	9⅞	AlfPb	.24	2.3		601	10¼	10⅛	10⅝	

Continued on Page 35

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
9⅞	7⅛	RolLse	.20	2.6	9	14	8⅛	8	8	
67⅞	56⅛	Rorer	.84	1.3	25	10846	65⅞	65⅛	65⅛	+ ⅛
14	6⅛	Rowan				2073	12⅞	12⅝	12⅞	
25⅛	23⅛	RBSct pr1.41e	5.9			80	24⅞	23¾	23¾	− ⅛
78⅞	60⅛	RoyID	3.35e	4.4	6	8156	76⅞	76¼	76⅝	+ ⅝
16	8½	Roylnt	.20a	2.0	13	282	10⅛	10	10	
10	8¾	Royce	.52e	6.8		302	9⅛	8⅞	9	+ ⅛
37⅞	28⅛	Rubmd	.52	1.4	28	1158	36	35⅞	36	+ ½
20	13¾	RussBr	.40	2.9	21	14	14	13⅞	13⅞	− ⅛
15	8¾	RussTg	.20	2.0	200	139	10	9⅝	10	+ ½
26½	19	Russell	.32	1.2	17	331	u26⅞	26¼	26⅞	+ ⅝
31⅛	17⅞	Ryder	.60	3.1	34	1688	19⅝	19¼	19⅝	+ ⅛
29½	15¼	Rykoff	.60	3.8	13	1012	16¼	15½	16	+ ⅝
25¾	18¼	Rylnd	.60	3.0	6	207	20¼	19¾	20¼	+ ⅜
14⅞	8⅛	Rymer				17	8⅞	8¾	8⅞	
		– S–S–S –								
41	31	SCEcp	2.56	6.7	11	2696	38½	38⅛	38⅞	+ ¼
9½	7⅞	SL Ind	.17b	2.1	13	27	8	7⅞	8	+ ⅛
60⅛	34⅛	SPSTec	1.28	3.7	11	24	35	34¾	34⅞	− ⅛
36⅞	22¼	SPX Cp	1	3.9	6	219	25⅞	25½	25⅝	+ ⅜
21⅛	6⅞	Saatchi	.49e	7.2		627	6⅞	6⅝	6⅝	− ⅛
14⅝	11⅞	SabnR	1.40e	12.	9	98	12	11⅞	12	
7⅞	4⅞	Safecrd	.10	1.3	9	2205	7⅞	7½	7½	+ ⅛
19	12⅝	SfgdSc			12	109	16	15⅞	16	
[illegible]										
21⅛	7⅞	ZenithE				930	9⅞	9⅝	9⅝	− ⅛
27½	14	ZenNtl	.84	5.1	8	75	16⅞	16⅝	16⅝	− ⅛
9¾	5⅞	Zenix	.99	16.		138	6⅛	6⅞	6⅛	+ ⅛
18½	13	Zero s	.40	2.8	14	145	14⅞	14½	14½	− ½
44¼	26⅝	Zurn	.76	1.9	18	666	39¾	39¼	39⅝	+ ⅛
12⅝	10½	Zweig	1.21e	10.		162	11⅞	11⅝	11⅞	+ ⅛
16	8⅛	ZweigTl	.96	10.		853	9½	9⅞	9½	+ ⅛

Sales figures are unofficial.Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months.g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months.plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4pm prices March 16

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

NASDAQ NATIONAL MARKET

4pm prices March 16

Stock	Div.	P/E	Sales 100s	High	Low	Last	Chng
[illegible]							
–X–Y–Z–							
XL Dta s		5	876	9½	9	9⅜	+ ⅜
XOMA			5680	19¼	18½	19¼	+ ½
Xicor		103	574	3½	3¼	3¼	− ¼
Xyvsn			108	2	1⅞	2	
YanEnS	1.14e	13	34	21	20½	21	+ ⅝
YelowF	.76	40	1358	26½	26⅛	26⅛	+ ⅛
YorkRs		20	685	11⅝	11	11½	− ⅛
ZionUt	1.44	12	102	28	27½	27⅝	+ ⅜

It's attention to detail
like providing the Financial Times to business guests, that makes a great hotel.
Complimentary copies of the Financial Times are available for business guests staying at the Scandic Crown Hotel in Brussels.
SCANDIC CROWN HOTEL
BRUSSELS
FINANCIAL TIMES

The Business Column

Universal banks may not be exportable

THE TAKEOVER of Morgan Grenfell by Deutsche Bank in January has encouraged the belief that German-style banking could emerge as the dominant force in the EC's integrated financial markets. The deal seemed to mark another advance for the universal banking concept which combines traditional banking with investment banking (corporate finance, securities dealing, stockbroking and so on), and is also characterised by banks owning large stakes in their industrial clients.

But the ascendancy of the concept is challenged in a new study* from the Brussels think-tank, the Centre for European Policy Studies, which argues that universal banking is special in time and place to post-war Germany and is not well equipped to prevail in an international market.

It makes these points:

● If universal banking is supposed to give banks superior information about their clients through the breadth of their relationships, this is not reflected in the quality of their loan portfolios.

● In theory, universal banks should enjoy economies of scope from the breadth of service they offer but there is no evidence of this. Although they are well placed to substitute one service for another to meet shifting demand, universal banks cannot outdo specialist competitors on their own territory.

Specific dangers

● There are specific dangers in universal banking: the risk of contagion if one of their associated industrial companies runs into trouble, the conflict of interest between the role of lender and investor to the same company, and the stifling effect that banks, with their natural caution, can have through their close relationships with their clients. There is also the danger of concentration of power since banks dominate the credit system and investment market through their leading fund management role and their expansion into insurance.

The study also refutes what may be the best case in favour of universal banking — that it provides financial stability for industry and fosters the long-term view.

The authors lean heavily on the argument that although German banks performed a useful role in post-war reconstruction they have outlived it in an era when companies' need for loan finance is declining and when the role of securities markets is growing. Indeed, the banks may have made things worse by stifling the growth of Germany's equity market.

Many companies in other countries, not least those in Britain, will not be convinced by this argument. But for the banking industry, there is a strong case against universal banking because of two fairly simple facts.

One is that German banks are not especially profitable compared to foreign banks, suggesting that universal banking does not pass the ultimate test of the bottom line. The other is that Germany is one of the largest importers of financial services, a rather damning indictment of its domestic banking system.

Social role

One explanation for the German banks' inferior results could be that they perform more of a "social" role in their home market, that they forego part of their profit to support their clients or further the interests of the economy as a whole. There may be some truth in that and many would applaud it if it was so. But it would be another reason for wondering whether German banks can succeed in a wide open, highly profit-driven international market.

Even if universal banking is a vibrant force in Germany, the key test will be its exportability into markets with quite different traditions. That is why the progress of the Morgan Grenfell acquisition will be interesting to watch.

David Lascelles

**Universal banks: the prototype of successful banks in the integrated European market? by Alfred Steinherr and Christian Huveneers. 25 Ecu. Centre for European Policy Studies, 33 Rue Ducale, B-1000 Brussels. Tel (322) 513 4088.*

MONDAY INTERVIEW

Intensity in the moral approach

Vaclav Havel, Czechoslovakia's President, shares his views with A.H. Hermann and John Lloyd

It is rather chaotic: that is what is now expected of President Havel. Passing through the three courtyards of Prague Castle to the Presidential offices, the nation's past embodied in the monuments and buildings, you are ushered — casually — into a milieu of impending chaos among men and women whose clothes and appearance bear the defiant imprint of the underground and dissidence; they refuse to wear the suits of pre-revolutionary orthodoxy. Mr Havel comes into the magnificent public anteroom in pullover and old corduroys. He has the shy, ducking walk and smile of a man conscious of being the focus of all eyes and desires and anxious to deflect the attention with irony and modesty.

The determined — almost symbolic — informality now attracts criticism. His advisers are singers, artists and writers who are said to function as a support network rather than as policy analysts. It is worth asking what Havel needs in the way of advice: the ideas he now advances in speeches are elaborations of the limpid essays he has written over the past two decades. These works, in which he considers the effect on the human intellect and conscience of living under a totalitarian system, and on the shape of the New Europe which might emerge from the decay of the blocs, are now given the sort of public and media exposure of which most intellectuals can only dream. Havel is the intellectual/statesman, the only one of his kind.

Though he shows signs of the strains which the emerging conflicts in post-revolutionary Czechoslovakia are placing on him, Havel, in the first months of his presidency, has been granted and is using fully a world pulpit from which he can preach a new kind of political morality. At a time when the sheer malleability and uncertainty of the world order puts a premium on thought, idealism is allowed to rise without being instantly crippled with the tag of naïveté.

"We live," he told his country on New Year's day, "in a decayed moral environment." He, as a former prisoner of the regime, could blame the communists, but "it would be unwise to see the sad legacy of the past 40 years as something alien to us . . . we must accept it as something which we have brought on ourselves. We cannot lay all the blame on those who ruled us before, not only because it would not be true, but also because it could detract from the responsibility each of us now faces . . . to act on our own initiative, freely, sensibly and quickly."

To the US Congress, on February 21, he said: "we are still incapable of understanding that the only genuine backbone of all of our actions, if they are to be moral, is responsibility."

Barely back in Prague, on February 25, he told a rally in Old Town Square on the anniversary of the communist takeover 42 years before: "the human spirit is not a matter of the human intellect alone. It is also deliberation and forethought as well as conscience and decency, taste and love for one's neighbour, courage and detachment from oneself as well as doubt and even humour."

It is hard to think of any national leader who could speak in this way, or had the moral authority to do so. And yet the word about Prague is that "our President is too good for us." This may mean "we want someone to blame for the past 42 years;" or perhaps "we do not *want* to be told that salvation is up to us: we want to be saved, enriched, our lives improved by someone else — and quick." Is it that the deeper truths, reflected on by a writer over decades of dissidence and imprisonment, are too deep for everyday living?

PERSONAL FILE

1936 Born, Prague
1963 First play, The Garden Party
1977 Founds Charter 77 with Jiri Hayek and Jan Patocka
1978 Essay, The Power of the Powerless, circulates in samizdat
1979 Sentenced to four and a half years in prison
1989 Founds Civic Forum after November 19 demonstration broken up. In December elected President.

But he will not change; indeed, he intends to intensify the approach. This was clear when we asked him if he would put himself forward for election as president again after June, when his temporary term expires. He said: "At least four conditions must be met. First, someone would have to propose me. Second, we would need to know who would win the parliamentary elections. Third, I would need to know how long the next presidential term would be. Fourth, I would need to know that it was essential to the country for me to stay as president, or whether I could be replaced by someone else.

"If we wish Czechoslovakia to become a democratic country, it can't depend just on one person. And I have learned this: one day in this job is 100 times worse than one day in prison.

"But I have one incomparable advantage — I don't need the job, so I don't have to care about my popularity. I can say some very unpopular things to the nation — and in the next two years there will be many unpopular things to be said. Only a person who does not long for popularity can do this."

What of the squabble within the Government's economic team over the pace and nature of creating a free market? Mr Havel replied: "we must think what to do over the next two or three months. We cannot be hurried in a task to make decisions for which we will later be sorry. We must establish a programme for action for 10 years ahead, and then move along this long term plan day by day. It is only natural that different economists and politicians have different views on how to conceive and shape this long-term plan, and we must take time for discussions."

President Masaryk, the first President of the Czechoslovak republic, said: "Democracy is discussion." Havel has the same motto — for good or ill.

Mr Havel is happiest in the wider field of the New Europe where he has sketched out a vision in which, as he said to the US Congress: "these revolutionary changes will enable us to escape from the rather antiquated straitjacket of a bipolar view of the world and to enter at last into a period of multipolarity, that is, into an era in which all of us — large and small, former slaves and former masters — will be able to create what Abraham Lincoln called "the family of man." We asked him how such a multipolar world would guarantee security without the blocs?

'I will say some very unpopular things to the nation'

He did not reply directly, but his vision is clearly conditioned by his belief that while "the Soviet Union is not a democratic country, it is a country which has embarked on the road to democracy. I think that the changes are irreversible enough that they do not depend on one person. Even if [Gorbachev] fails, and is replaced by someone better or worse, the changes are not reversible."

NATO and the Warsaw Pact must, therefore, dissolve — though he stresses he does not see them as symmetrical. NATO is a free association of nations; the Warsaw Pact "a system of symbolic manipulation by the Soviet army." However, they must go to allow the emergence of a Europe which "will no longer spawn wars upon the world, but will be a shining example of peace."

Mr Havel is, more firmly than any other leader of the post communist states, concerned to insist on the particularity of Europe, and the need for the West to move towards the East as much as vice versa. He has proposed two new regional groupings — Hungary, Yugoslavia and Italy on the one hand, and Poland, Scandinavia and the Baltic states on the other. Czechoslovakia, conveniently situated, would be the geographical and cultural link between the two. Next month, at Mr Havel's prompting, a meeting of statesmen from the first group has been convened to develop economic, political and other links which would then allow the integration into a wider Europe to proceed from a position of greater strength.

"The former communist countries must find a way into the wider economic and market system of Europe. We should not try to overtake each other — we have to co-ordinate our progress in this field, and it is possible we will find some intermediate steps and institutional arrangements. For the economically more advanced western European states to welcome us into their midst as returning members, they will have to transform themselves into institutions which will be truly European and not just western European."

He looks forward to his visit to France and Britain with his customary irony, noting that Britain "has a certain tradition of aloofness" from central European concerns because of its geography, and because "it has not experienced dictatorship for centuries." In Britain he will meet Mrs Thatcher, the Queen and representatives of the Confederation of British Industry and the City.

"I will explain that we don't want money: we want advice, we want opinions, we want to learn to work hard."

The day after our interview, Havel met Richard von Weizsäcker, the West German President and Hans-Dietrich Genscher, the Foreign Minister — on the anniversary of the German invasion: another symbol. We asked him if he would invite President Mitterrand and Mrs Thatcher to Prague on the anniversary of Munich? He confessed that "in my soul, tending to symbolism, I have entertained the idea. However, I have not expressed this idea aloud till now, and in any case, it will require the agreement of two people, namely the President and Mrs Thatcher."

The invitation, if ever made, would be superficially distressing to both, a reminder of national loss of nerve, but might prove, after all, attractive. Neither are seen, or of course see themselves, as appeasers: for them, the symbol would not be just one of cancelling the Chamberlain dismissal of pre-war events in Czechoslovakia as "a quarrel in a far away country between people of whom we know little" — but of serving as an oblique reminder to a swelling German power that times have changed in every way, and that Munich, and its mentality, was being laid to rest. In short, a rather creative invitation with a moral to teach: the mark of Havel upon it.

Basic principles to guide journalists

JUSTINIAN

Throughout its 37 years' existence, the Press Council has resisted constant pressure to promulgate a code of practice for journalism. Last week, the Council published its 16 principles of good journalistic practice in pursuit of its philosophy that unethical conduct puts in jeopardy the freedom of the press.

The disinclination in the past to follow other occupations and groups in public and social life which have progressively adopted codes of conduct and practice for their members reflected the attitude of successive independent chairmen of the Press Council. The first, Lord Devlin, proclaimed the English lawyers' preference for a pragmatic growth of rules out of case law. The Council adopted the methods of generations of English judges who produced the common law of England: "They let it grow out of the decisions they gave."

Added to which there has been no little distaste among Anglo-Saxon lawyers for the foreigners' adherence to codification, stemming from the Emperor Justinian's code from sixth-century Rome. Lord Devlin's successors, all lawyers, trod the same path. The present incumbent has, however, felt more attuned to the prompting in 1977 by the Royal Commission on the Press to publish a code based on the Council's adjudications and decisions over the years.

Last week's Code of Practice does, in fact, no more than put into written form the principles on which the Council has grounded its adjudications of readers' complaints. So once the idea of codification has been accepted — and some in the newspaper industry much prefer unwritten, rather than publicly declared rules — there should not be too much difficulty in gaining endorsement of the 16 articles. But the Council is committed to keeping the code under constant review and amending it from time to time, in the light of changing public attitudes and of experience in operating the code.

The code has not been adopted just as a modish response. Reasonable people have often asked: why tolerate the uncertainties of unwritten rules which stem from the vagaries of individual Council adjudications? Why not enunciate the rules clearly and certainly by the simple device of a code? That way practitioners of journalism will know what is expected of them by the setting down of standards. And the public will be able to identify the particular rule which it claims has at any time been breached. The question then is,

A code of practice in a complaints system is not law — not even of the sort a profession can impose on members

how will the Council interpret the articles of the code? To answer that question by saying that there will be no difference would be to deny the utility of the code.

A code of practice under a self-regulatory complaints system cannot constitute law, even to the extent that a profession or occupational group can impose laws on its members. It is, in any event, a code of practice, not of conduct. It seeks not to discipline, but to set standards and to maintain them by moral suasion. But the code is more than a set of guidelines that should ordinarily steer the practitioner in one direction rather than another. It is a means of declaring a few fundamental principles to be adhered to in a reasonably flexible, but never an elastic manner.

The Press Council's code is not the familiar, broad 10 (or even fewer) commandments of generalised moral precepts from which no reasonable person could dissent. The five-point declaration of the national newspaper editors last November necessarily adopted that formula in order to gain accord among the very diffuse interests of broadsheet and tabloid national newspapers.

The Council has also resisted the alternative of an elaborate code covering the multitude of situations encountered by journalists and editors. Precise rules for detailed situations, often by stating what may or may not be done, would have a double disadvantage. Such a code would be lengthy and be seen as comprehensive; it would lead to a belief that anything not precisely covered by the code would be permissible. Therein would lie the straitjacket for journalism, an occupation that cannot conceivably flourish under such constraints.

The other danger would be the size of the code. Quite apart from being an unwieldy document, unfitted to the journalist's trade, there would be room for endless argument over the meaning of words — a lawyer's delight but a nightmare for a complaints body dedicated to a swift and simple procedure for public and press alike.

Above all, the implementing of the provisions of the code of practice should help rebut the charge, not entirely fairly made by a critic before the Royal Commission on the Press, that Press Council adjudications "are reported too shortly, do not appear to be fully or clearly reasoned and in sum often lack any intellectual coherence or consistency of policy."

This announcement appears as a matter of record only

CENTRAL CAPITAL CORPORATION

CONSOLIDATED STATEMENT OF INCOME

		Year ended December 31 1989	1988
		(dollars in thousands)	
Revenue	Investment income	$1,829,766	$1,435,355
	Fees and commissions	117,529	87,305
	Underwriting revenue	242,835	205,037
	Other income	31,926	30,374
		2,222,056	1,758,071
Expenses	Interest	1,422,032	1,080,654
	Salaries, commissions and other operating expenses	487,592	403,559
	Provision for mortgage and loan losses	43,560	28,426
	Provision for losses on claims	155,053	126,902
	Amortization of intangible assets	21,384	15,335
		2,129,621	1,654,876
	Net income before income taxes, extraordinary items and minority interest	92,435	103,195
	Income tax expense	(6,334)	13,892
	Net income before extraordinary items and minority interest	98,769	89,303
	Minority interest	28,707	26,002
	Net income before extraordinary items	70,062	63,301
	Extraordinary items	22,089	19,822
Earnings	Net income	$ 92,151	$ 83,123
	Net income per common and class A subordinate voting share		
	— basic	$ 1.20	$ 1.06
	— fully dilnted	$ 1.13	$ 1.02

CONSOLIDATED BALANCE SHEET

		December 31 1989	1988
		(dollars in thousands)	
Assets	Cash and short term investments	$1,075,532	$1,406,353
	Marketable securities	1,820,846	1,616,274
	Mortgages, loans and advances	12,386,516	11,277,379
	Investment in and advances to affiliated companies	365,996	318,967
	Other assets	1,034,902	652,338
	Intangible assets	757,910	735,534
		$17,431,702	$16,006,845
Liabilities	Demand deposits	$2,761,238	$2,525,009
	Term deposits	9,628,147	9,101,923
	Other borrowings	1,750,157	1,807,871
	Deferred revenue	442,617	343,005
	Allowance for claims	376,284	182,115
	Other liabilities	890,957	789,705
		15,849,400	14,749,628
	Surbordinated debt	298,933	144,437
	Minority interest	299,052	228,029
Shareholders Equity	Capital stock Preferred shares	197,112	137,746
	Common and class A subordinate voting shares and warrants	598,928	602,019
		796,040	739,765
	Contributed surplus	26,399	25,215
	Retained earnings	161,878	119,771
		984,317	884,751
		$17,431,702	$16,006,845
	Total Capital Funds	$ 1,582,302	$ 1,257,217
	Total Assets under Administration	$36,282,934	$33,053,598
	Book value per common and class A subordinate voting share	$ 12.00	$ 11.29

HIGHLIGHTS

Central Capital Corporation (The Corporation) reports consolidated gross revenue of $2,222,056,000 for the year ended December 31, 1989, an increase of 26%. Net income for the year increased to a record high of $92,151,000 from $83,123,000 and net income per share increased to $1.20 from $1.06, each representing an increase of 11%. Total corporate assets increased 9% to $17.4 billion from $16.0 billion and total assets under administration increased 10% to $36.3 billion from $33.1 billion. Total capital funds, comprised of shareholders' equity, minority interest and subordinated debt, increased by 26% to $1,582,302,000.

At December 31, 1989, the book value per common share and per class A subordinate voting share was $12.00, compared to $11.29 at December 31, 1988.

The Corporation's major acquisitions during the year consisted of the insurance businesses of U.S.F. & G. Canada Corporation and Scottish & York Holdings Limited. These acquisitions when combined with the Corporation's existing insurance activities generated annual premiums in excess of $400 million, on invested assets in excess of $1 billion and shareholders equity of almost $400 million.

The Corporation and Inter-City Gas Corporation (ICG) entered into an arrangement agreement which would result in the disposition of ICG's propane and utilities divisions. Upon completion of the arrangement agreement, the Corporation expects to realize a gain on the sale of these operations of approximately $30,000,000 in the first half of 1990. Proceeds of sale will be approximately $222,000,000.

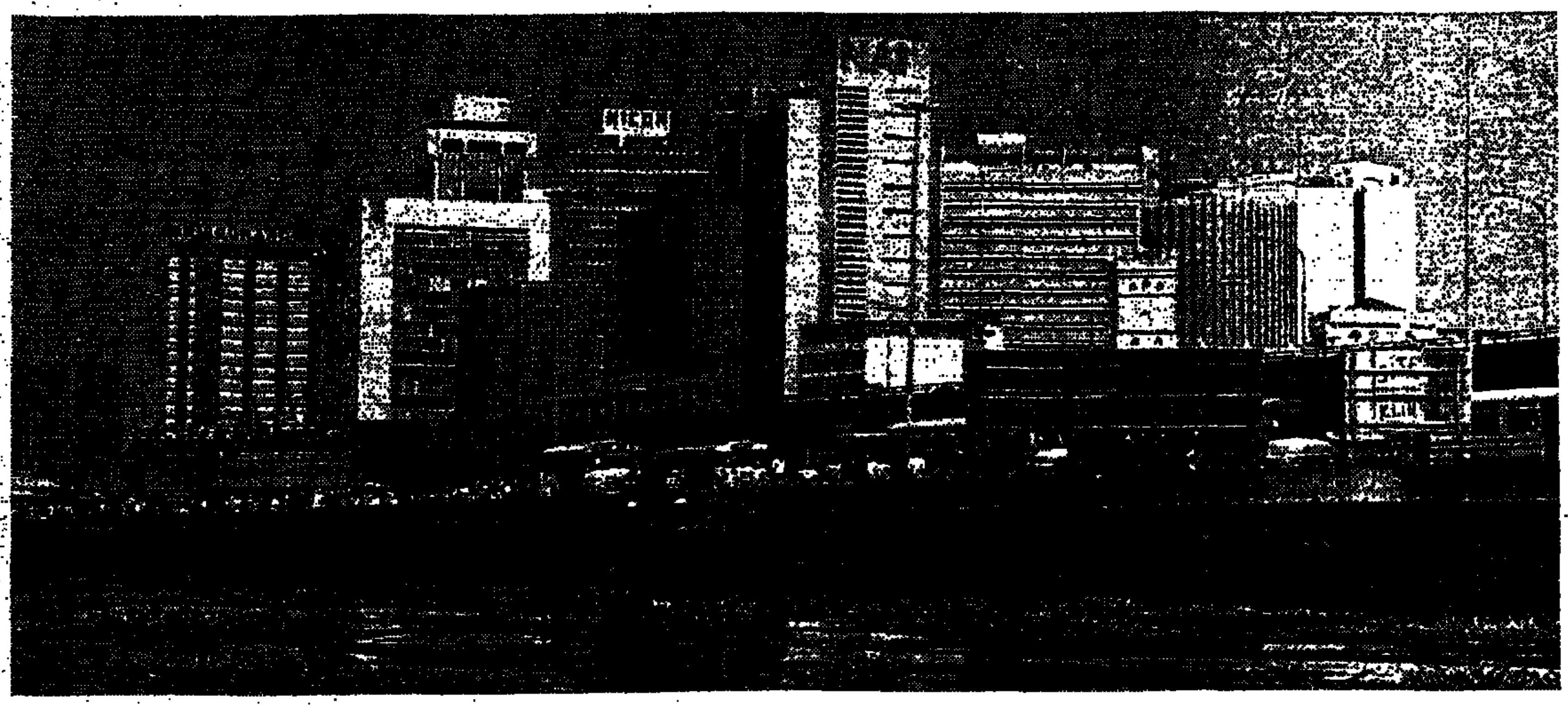
At a director's meeting on March 9, 1990, a quarterly dividend of 15 cents per common and class "A" subordinate voting share was declared.

Central Capital Corporation is the management company that provides strategic and financial direction to its subsidiary and affiliated companies. Principal subsidiaries include: Central Guaranty Trust Company, The Mortgage Insurance Company of Canada, Canadian General Insurance Group, and its United Kingdom operating companies, Central Capital Holdings Limited and Capel-Cure Myers Capital Management Limited.

C. W. Cole
President & Chief Executive Officer

FINANCIAL TIMES SURVEY

President Babangida can claim that the structural adjustment programme is largely in place, but recovery depends on creditors offering easier repayment terms, says **Michael Holman**. They may nevertheless be reluctant to let Lagos off the tight financial leash



Lagos skyline: modern office blocks dominate the heart of the city's commercial centre

NIGERIA

A question of debt relief

NIGERIA WENT from boom to bust in the 1980s. Whether the country can recover from this disastrous period, when oil wealth was squandered and external debt began climbing to its current level of $32bn, is the critical question for the decade ahead.

A host of factors will help determine the answer: they include the impact of events in eastern Europe on aid to Africa, the challenge to Nigeria for African markets which a post-apartheid South Africa could present, and the risk to Nigeria's political stability and economic discipline posed by the phased transition to civilian rule in 1992.

But a central part of the answer depends almost as much on the response of western lenders and trading partners to Nigeria's economic plight as it does on Nigerians themselves.

For the former, the issue at stake lies at the heart of the economic crisis gripping Africa as a whole.

Can Nigeria – now in its fourth year of a structural adjustment programme endorsed by the International Monetary Fund (IMF) and funded mainly by the World Bank – bring about a sustained economic recovery as long as it remains a net exporter of capital to service external debt? Or are radical debt-relief measures urgently needed, linked to continuing and closely supervised reforms?

For Nigerians themselves, the critical question that then arises is painful: *can their government* – whether the current military administration of President Ibrahim Babangida, or the civilians who are scheduled to take office in 1992 – be trusted to use additional resources honestly and efficiently?

Since mid-1986, Nigeria has been pursuing – sometimes erratically – a radical overhaul of its economy.

The most important measures include trade liberalisation and the ending of the corrupt import licensing system, an exchange-rate policy which has seen the devaluation of the Naira from 180 US cents to 12.5 cents, and a privatisation plan encompassing nearly 100 companies.

The agricultural sector has benefited from the abolition of government-controlled commodity boards, while export crop production has been encouraged by the realistic exchange rate.

The Government has also taken steps to improve the climate for foreign investment – although much remains to be done.

External debt management has also improved markedly. The near-chaotic state that marked the mid-1980s, when government had accumulated *some $5bn of uninsured trade* debt in addition to arrears on London and Paris Club obligations, is over.

Promissory notes were issued against the trade arrears, and the IMF imprimatur on Nigerian economic policy has paved the way to a continuing series of London and Paris Club reschedulings.

The reform process is not complete, and implementation has often been weak. But having taken measures to remedy the inflationary budget of 1988, Nigerian policy makers can argue that the framework of the structural adjustment programme is now broadly in place.

However, the bottom line of the country's economic balance sheet remains deeply disquieting. On current projections, external debt-service commitments will be around $4bn a year until the late 1990s. Allowing for direct investment of some $700m a year (mainly into the oil and gas sector) and aid inflows of $1bn, Nigeria will need to run a large current account surplus in order to service its debt.

This situation is not compatible with the recovery of a debilitated economy. It is this issue that external supporters of Nigeria's adjustment pro*gramme must now confront.*

Last year's GDP growth of about 4 per cent should be set against the country's rate of population increase of over 3 per cent a year.

A rapidly growing population - expected to reach 150m by the year 2000 - and sharply declining export receipts ($26bn in 1980 to $9.4bn last year) has led to a dramatic drop in per capita GNP, from $1,090 in 1980 to around $250 last year.

Unemployment is growing, and the country's infrastructure and social services are deteriorating: the telephone system is unreliable; power supply is erratic; the transport fleet is ageing; many industries need re-equipping; schools, universities and hospitals are poorly equipped; and environmental problems in northern Nigeria are mounting as desertification gathers pace.

Growth in the oil and gas sector, where a multi-billion dollar investment programme is under way, does not offset the grim reality that, without external debt relief Nigeria's decline looks likely to continue in the decade ahead.

Creditors considering Nigeria's case can be forgiven, however, for treating it with caution. Whatever the theoreti*cal merits* of debt reappraisal, Nigeria's track record – the efforts since 1986 notwithstanding – does not inspire confidence.

Corruption remains endemic; vested interests continue to stand in the way of some reforms; management is weak, implementation slow.

One of the first questions creditors might raise involves two of the country's white elephants. The $3bn Ajaokuta steel project, which the Government is determined to pursue, albeit in modified form, seems certain to be a net loser of foreign exchange if and when it comes into full production.

Spending also continues at Abuja, conceived on a grandiose scale when oil earnings were high. Today, it is a burden rather than an asset. Creditors may well ask why debt relief should help fund, albeit indirectly, two extravagances.

Meanwhile some of the measures under way may well run foul of the vested interests which have undermined past efforts.

For example, there is little reason to believe that current efforts to rehabilitate Nigeria Railways will have any more success than the attempt in the early 1980s by a team from Rail India Technical and Economic Services. It was defeated by the combination of a powerful road-trucking lobby and uncooperative senior railway staff.

Nor is the problem of weak management susceptible to quick resolution. Successive political purges and ill-conceived "reforms" of the country's civil service have left a thin layer of competence in the upper echelons, presiding over a generally inefficient, overstaffed bureaucracy.

One issue above all, however, dominates Nigeria's short-term prospects: the political and economic implications of President Babangida's plan to return the country to civilian rule in 1992.

The commitment is a mixed blessing. It is a vital safety valve on the one hand, but also carries the risk that economic discipline will be relaxed as political campaigning gets under way, and army officers make the most of further opportunities for enrichment.

One major concern is that government's imposition of a two-party system is likely to exacerbate, rather than resolve, the North-South, Moslem-Christian division. And with the party manifestos written by government officials, the one hardly distinguishable from the other, the exercise has been greeted by apathy and cynicism.

Budget targets for 1990 are also at risk. The cost of establishing the parties from scratch in all 21 states comes out of government funds, while a complex and expensive administrative structure oversees the transition exercise.

There are several sources of patronage to draw on, whether kick-backs from state and Federal government contracts, or from the funds of several organisations, including the Directorate of Food, Roads and Infrastructure, the newly created Peoples Bank intended to dispense low interest loans to farmers and small businesses, or the Better Lives for Rural Women scheme, all of whose accounting practices are sometimes unclear.

Although hopes are pinned on what is termed the "new breed" of yet-to-emerge politician (former politicians have been banned from participating), these hopes strain credibility.

Few Nigerians believe that the days of vote-buying and influence peddling are over, and the likelihood is that soldiers as well as ex-politicians will be active behind the scenes.

Implications for the integrity of the electoral system aside, loose spending could well fuel inflation and destabilise the exchange rate – two developments which would set back the recovery programme.

Yet even if President Babangida had second thoughts about the transition timetable, it is difficult to see a way out of a commitment that looks premature. A referendum which asks Nigerians whether they would support an extension of the military government's term in office is being canvassed in some quarters, but the answer is more likely to be No than Yes.

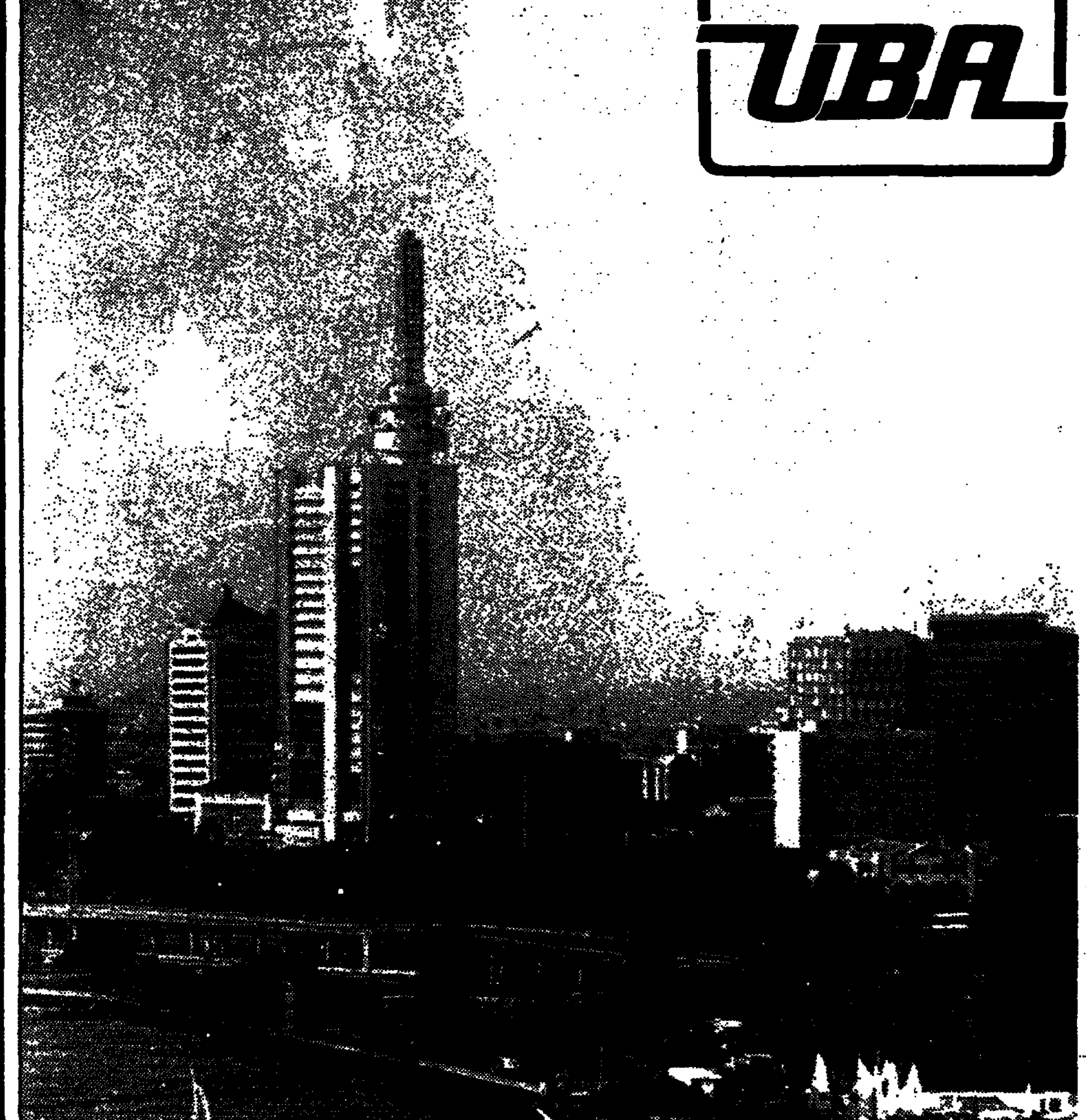
All these factors make the case for radical debt relief measures difficult to argue.

It would thus be understandable if Western creditors and donors opted for a continuation of a relationship which keeps Lagos on a tight financial leash. But this carries the growing risk that the social pressures which are building up in Africa's most populous nation could well disrupt President Babangida's economic adjustment programme.

IN THIS SURVEY

Political assessment; Election programme 2
Economic review; Profit analysis 3
Privatisation; Investment 4
Foreign trade; Debt-conversion scheme 5
Industry's toughest decade; Nestlé; Trade unions 6
Steel's 'white elephant'; Property 7
Oil and gas developments 8
Interview with the Oil Minister 8
Liquefied Natural Gas project 9
National Fertiliser Company; Petrochemicals 10
Agricultural scene; Cocoa production 11
Food crops; Environmental crisis 12
Kidandan farm; River Basion Authorities 13
Religious loyalties; Sultanate of Sokoto 14

Editorial production: Roy Terry



UBA is at the very heart of business in Nigeria

UBA, one of Nigeria's biggest banks is highly efficient and innovative; with a clear commitment to providing a consistent and high quality service to customers.

This is why businessmen, organisations and multinationals have come to rely on UBA's expertise and advice in their international transactions with Nigeria.

UBA has 189 branches in Nigeria, a branch each in New York and Grand Cayman Island, a representative office in London and over 200 correspondent banks worldwide.

Whatever your needs - Letters of Credit, Processing of Bills for collection, International Money Transfers, Advice on Exchange Control, Information on business opportunities plus Credit reference and Consortium lending - always channel your transactions through UBA ...

The wise choice in banking

UBA

UNITED BANK FOR AFRICA LIMITED

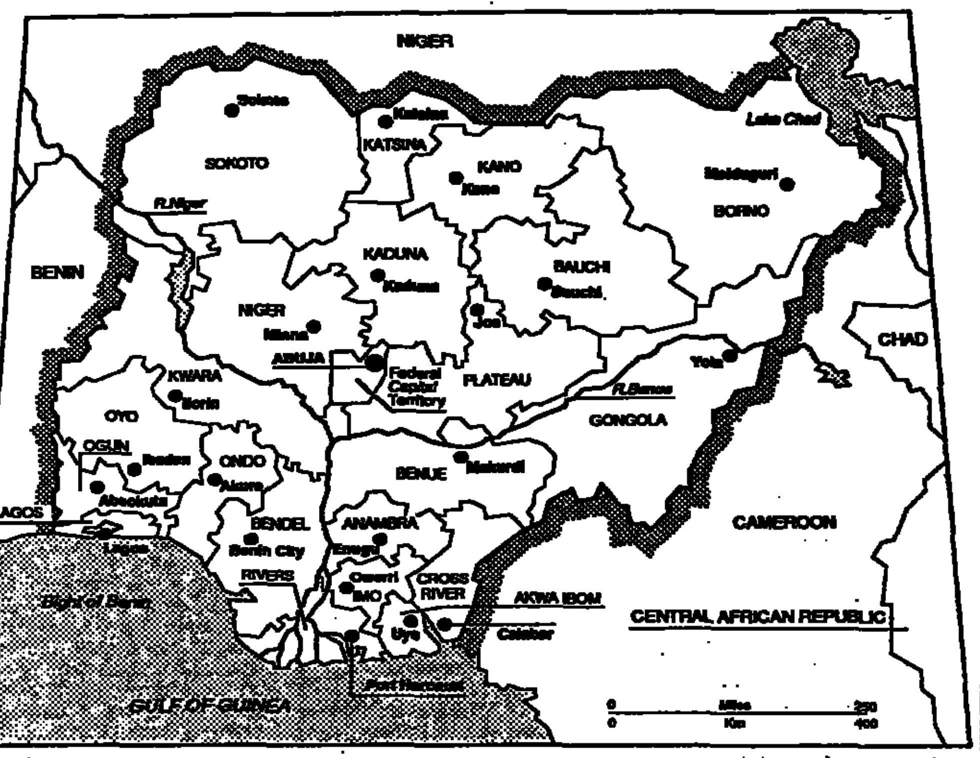
Head Office: 97/105 Broad Street, P. O. Box 2406, Lagos - Nigeria. Tel: 667410, 667510.
Cable: Mindobank. Telex: Mibank 21241, 21885, 21486, 21692 & 22897. UBACEL 21580.

KEY FACTS

Area: 923,768 sq km
Population: 110m (estimate)

Nominal GDP ($m)	1989: 28,814 1988: 30,553
Real GDP ($m)	1989: 19,857 1988: 19,204
Real GDP growth (% change)	1988/89: 3.4% 1987/88: 4.2%
Real GDP growth (% change)	1979/89: 0.5%
Destination of exports	
US	36.2%
W Germany	7.1%
France	5.1%
UK	2.3%
EC	40.0%
Main imports in 1988	
Machinery and transport equipment ($m)	2,275
Manufactured goods ($m)	1,260
Chemicals ($m)	1,071
Origin of imports	
US	7.4%
Japan	6.4%
France	9.8%
W Germany	10.7%
UK	14.5%
EC	52.0%
Debt	
Foreign indebtedness ($M)	1989: 32,950 1988: 30,700
Interest payments ($M)	1989: 1,451 1988: 593
Total debt/GDP	1989: 114.4% 1988: 100.5%
Interest payments/exports	1989: 15.3% 1988: 15.9%
Manufacturing production	
(Volume index 1982 = 100)	
1988	113
1989 (estimate)	106
Money supply	
1988	4bn naira
1989 (estimate)	37bn naira

Currency: *100 kobo = 1 naira*
Exchange rate: 1989 (average): $ = 7.32 naira



Michael Holman discusses the 'slow and sluggish' transition to civilian rule

Pathway to democracy uncertain

AS NIGERIA takes the first steps down the road to civilian rule, doubts are growing about the viability of the democratic structure designed to take the place of the country's military government.

Three decisions, as impractical as they are well meant, make it probable that the civilian government, scheduled to take office in 1992, will be intrinsically fragile.

The first, taken in 1987, is a ban which prevents former politicians and government office holders from taking part in politics. The intention was to encourage the creation of a new breed of legislators unsullied by the corrupt, pork-barrel tactics that was the hallmark of the 1979-1983 civilian administration of President Shehu Shagari.

Saddled with responsibility for encouraging this moral transformation is the Directorate of Social Mobilisation, launched in 1987 and popularly known as Mamser, the acronym drawn from its slogan: "Mass mobilisation for social justice, self-reliance and economic recovery."

Many Nigerians are sceptical about Mamser, pointing out that the military government is itself hardly a model of probity for the new Nigeria.

It is also generally believed that behind every "new breed" candidate will almost certainly be members of the old guard, bankrolling campaigns in return for post-election favours.

The Government decided to allow only two parties

The second decision was also taken in 1987, and is widely regarded as likely to exacerbate the very divisions it is intended to avoid.

The government decided that only two parties would be allowed, in an effort to overcome the tendency for Nigerian politics to reflect the country's main ethnic constituencies – Hausa-Fulani in the north, Yoruba in the south, and Ibo in the east.

Critics have argued that the two-party system may well encourage the electorate to divide along religious lines, reflecting a divide between the predominantly Moslem north and the largely Christian south.

The next questionable move came last October. No fewer than 13 newly-formed parties had applied for recognition. None measured up to government's expectations. "Old lines of cleavage – ethnic, geopolitical, religious and class – surfaced in bold relief," President Babangida told the country.

Membership claims were often spurious, ostensibly new parties had "deep roots in the party politics of the First and Second Republics", and political associations "were being hijacked by 'money bags'", or wealthy businessmen.

What was more, the President said, former politicians and government office holders, had indeed been at work behind the scenes, despite the ban.

President Babangida announced that all 13 parties had their claims for recognition turned down, and government took its third contentious decision. It set in train the creation of two new parties – the Social Democratic Party (SDP) on the "left", the National Republican Convention (NRC) on the "right".

The manifestos of the two parties, drawn up by government officials, have not so far evoked any enthusiasm.

One reason is that there are few major differences between the two parties.

Manifestos of the parties have not evoked enthusiasm

Both manifestos express support for the government's structural adjustment programme, and both propose pressing ahead with the Ajaokuta steel project, the country's multi-billion-dollar white elephant.

Both advocate "self-sufficiency in agriculture", although votes may be won or lost by the NRC's encouragement of "fish farming by individuals and private organisations", a subject on which the SDP is silent.

The latter tends to strike a more populist note, offering free education at primary and secondary levels, compared to the SDP's somewhat more cautious commitment "ultimately" to provide free education at all levels.

Much to the irritation of government officials, some sceptics have already decided that these two barely distinguishable platforms will take second place to more fundamental ethnic and religious issues, suggesting that the first letter of the party acronyms stand for Northern and Southern respectively.

It will be possible to gauge the reaction of voters to the imposition from above of what the government terms "grass root democracy" when the registration of party members gets under way later this month.

The omens are poor, however.

Commenting on the process recently, the Lagos-based Guardian newspaper spoke of "public apathy and cynicism". The "slow and sluggish" execution of the transition programme, the paper warned, raised "doubts as to whether the government will be able to meet the target date of October 1992".

President Ibrahim Babangida

Members of the Armed Forces Ruling Council

CHAIRMAN:
President Ibrahim Babangida

MEMBERS:
Vice-Admiral Augustus Aikhomu
Lt-Gen Sani Abacha
Maj-Gen Sani Sami
Maj-Gen Salihu Ibrahim
Rear-Admi Promise Fingesi
Air Vice-Marshal Clement Ugah
Maj-Gen Abdullahi Mamman
Rear-Admi Chijioke Kaja
Air Vice-Marshal Nuraine Yusuff
Maj-Gen Garba Duba
Brig Abdulsalam Abubakar
Brig Joshua Dogonyaro
Maj-Gen Yohanne Kure
Maj-Gen Oladipo Diya
Rear-Admi Murtala Nyako
Inspector General Ibrahim Attah
Maj-Gen I.O.S.Nwachukwu
Maj-Gen Aliyu Mohammed
Air Vice-Marshal A.Okpere
Rear-Admi M.A.B.Elegbede

Cabinet (Council of Ministers)

AGRICULTURE AND NATURAL RESOURCES ...... Ismaila Mamman
AVIATION ...... T.O.Graham-Douglas
BUDGET AND PLANNING ...... Abubakar Alhaji
CULTURE AND SOCIAL WELFARE ...... Mamman Ankah
EDUCATION ...... Babs Fafunwa
EXTERNAL AFFAIRS ...... Rilwanu Lukman
EXTERNAL AFFAIRS (Minister of State) ...... Eyoma Ita Eyoma
FINANCE AND ECONOMIC DEVELOPMENT ...... Olu Falae
INFORMATION ...... Tony Momoh
INTERNAL AFFAIRS ...... Commodore Lamba Dung Gwom ..
PETROLEUM RESOURCES ...... Jubril Aminu
SCIENCE AND TECHNOLOGY ...... Gordian Ezekwe
YOUTH AND SPORTS ...... Air Commodore A.Ikazobor
WATER RESOURCES .. Bunu Sheriff
COMMUNICATIONS ...... Col David Mark
EMPLOYMENT, LABOUR AND PRODUCTIVITY ...... Abubakakar Umar
FEDERAL CAPITAL TERRITORY ...... Maj-Gen Mohammed Nasko
HEALTH ...... Olikoye Ransome-Kuti
INDUSTRIES ...... Air Vice-Marshal Mohammed Yahaya
JUSTICE ...... Bola Ajibola Mines
POWER AND STEEL ...... Air Vice-Marshal Nura Imam
TRADE ...... S.J. Ukpanah
TRANSPORT ...... Lt-Gen (rtd) Alani Akinrinade
WORKS AND HOUSING ...... Brig Mamman Kontagora
SPECIAL DUTIES . Air Vice-Marshal ...... (rtd) Hamza Abdullahi

Programme for elections

Phased process

NIGERIA REMAINS set for a return to civilian rule, in a phased process which culminates in presidential elections in 1992, and the inception of the third republic since independence in 1960.

In January 1986, President Ibrahim Babangida announced *that his military government* would hand over power to a civilian government on October 1, 1990.

The following year, the completion date for what is a gradual transition to civilian *rule, rather than the single* handover that took place in 1979, was put back two years to 1992.

But the President has frequently repeated his commitment to the process and the *target* date.

The timetable, nevertheless, had to be revised following last October's decision to disband the 13 political organisations vying for recognition under the *two-party system adopted by* the Government.

None of the candidates had met the Government's criteria for recognition, said the President.

Instead, he announced the *creation from scratch of two* parties: one to the left of centre, the other to the right, in the words of President Babangida.

These two bodies will be competing for power under a *new constitution, which was* drawn up by a constituent assembly, part-elected, part-nominated, which sat in 1988.

The constitution envisages an executive president, a *bicameral legislature and* 21 state assemblies.

Michael Holman

Timetable

THE Government's amended transition programme is based on the *following timetable:*

Second Quarter 1990
The two authorised parties – the Social Democratic party and the National Republican Convention – to register members and hold congresses at ward and *local-government levels.*

Third Quarter 1990
Congresses to be held at state and national levels. Final draft of manifestos submitted to Armed Forces Ruling Council, the country's executive body, for approval.

Fourth Quarter 1990
Local government elections.

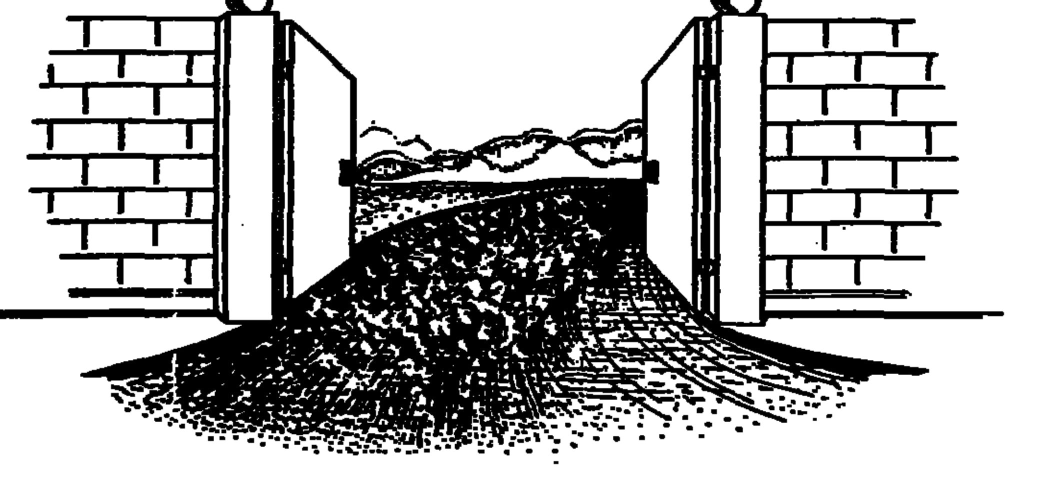
First Quarter 1991
Inauguration of local-government councils. Start of national census.

Second and Third Quarters 1991
Census

Fourth Quarter 1991
Election of state assemblies and state governors.

1992
Presidential elections on October 1; handover of power.

In 1960, NAL's pioneering efforts in merchant banking began.....



Since then, we have not looked back. We have continued to set the standards in the business.

Over the years, we have evolved a truly integrated approach to merchant banking. We have on offer, a wide and diversified array of products and services. Even more important, our ability to actually deliver those products and services in the right mix at the right time has been proven time and time again.

Which is why our clients list includes many of the biggest names in Nigerian business. A true reflection of our tradition of quality service.

NAL

NAL Merchant Bank Limited

HEAD OFFICE
NAL TOWERS 20,Marina,
P.O.Box 2432, Lagos, Nigeria
Tel: 600420-9, 600890-4,600850-9
Telex: 21505 & 22941 ACEPTO, NG
23285,23572,23677,23732 NAL, NG
Fax: 633294, 631793, 637527.

NORTHERN AREA OFFICE
NNIL Building
4, Waff Road
P.M.B.2172 Kaduna
Tel: 213667,242476,217084
Telex: 71328 ACEPTO, NG

WESTERN AREA OFFICE
South West Ring Road
P.M.B. 5064, Ibadan
Tel: 316550, 316151 & 316152.
Telex: 31595 ACEPTO,NG

EASTERN AREA OFFICE
19, Assumpta Avenue
P.O.Box 53, Owerri
Tel: 230363,231331 & 231804
Telex53212 ACEPTO, NG

KANO BRANCH
Savannah Bank Building,
9, Lagos Street, Kano
Tel: 624105,624754,621274

AFRO CONTINENTAL NIGERIA LTD
A Commitment to Excellence

PROFILE

Afro Continental Nigeria Limited is an indigenous Nigeria company which has been operating in the country for over 30 (thirty) years. It's a member of the NOGA Group of Companies, Geneva, Switzerland. Mother company has branch offices in North and South *America, United Kingdom, Zaire, Benin Republic,* Israel, Egypt, France and Portugal. Afro Continental started as an exporting company, selling Nigerian produce such as Cocoa, Groundnut, Palm Oil, Palm Kernel etc to Europe. From this, very basic and humble beginnings, we have progressively identified with the government aspirations and people's needs by diversifying into Agriculture, Manufacturing, Construction, Building and Civil Engineering. Our commitment to excellence has placed us in an unssailable position to successfully meet the challenges of the day, ie, self-sufficiency in food production, local sourcing of raw materials and export oriented economy. We have done it excellently well before. We are doing it better today with our renown expertise, in our specialised fields; with our international connections and unflinching commitment to this great country. Today, we export a variety of local produce. Apart from leading in Cocoa export in Nigeria, we also export Palm Kernel, Cotton, Ginger, Gum Arabic, Sheanuts to *mention but a few.*

Afro Continental also imports essential machineries for development such as Agricultural Tractors, Lorries, Generating Sets, Air-Conditioners, Building materials etc. The company imports Completely Knocked Down (CKD) parts and assembles them into Steyr Agricultural *Tractors, utilising the local infrastructure of Steyr* Nigeria Limited. Steyr Tractor 8075 range is specially designed for agricultural development in Nigeria. Over 1,500 Agricultural Tractors and Implements have been supplied to various state governments in the country on soft-loan terms. In fact, Afro Continental is complementing its bold step in Agriculture with back-up support like steyr Trucks, Combined Harvesters, other related implements and large storage facilities.

Afro Continental has gone another step forward to open a N10,313,000 Poultry Farm and 5,000 hectare of farmland in Sokoto State. About 100 Nigerians are gainfully employed in the farm. Besides this, another 10,000 hectare of Rubber Plantation at a cost of N150 million has also been acquired at Ajegunle/Onishere in Ifesowapo Local Government Area of Ondo State. The produce from these farms will be sold in the Nigerian Markets and where possible export some to overseas markets. Arrangements are in the pipeline to acquire more land in Gongola, Cross River, and Niger State for Agricultural purposes.

Through our subsidiary, NIGERCAFE AND FOOD (W.A) LIMITED, *we now produce and distribute* nation-wide:-

1) NIGERCAFE INSTANT COFFEE (The 100 % Nigerian Coffee)
2) HIGHLIFE (The New Medium Roast Instant Coffee)

Afro Continental Nigeria Limited participated immensely towards the implementation of the National Identity Card Project. Afro Continental Nigeria Limited was awarded the contract in October, 1986 for the supply of all goods and services relating to the issuance of a National Identity Card to the populace. Afro Continental with its usual characteristic took the challenge and *4th August, 1989* saw the first phase of the inauguration ceremony of the National Identity Card Computer Centre in Abuja by the President, Commander-In-Chief of the Nigerian Armed Forces, Ibrahim Badamasi Babangida. High technology projects involving computer technology are part and parcel of our business; such as the telecommunication, industrial electronics and the latest technology in automated fingerprint identification. It has also been involved in Social Security Systems both in Europe and some African countries.

Though these are, by any standard, excellent achievements, they only serve to gear us up to greater height and help us contribute to our country's effort towards self-reliance.

If you have ever dealt with us in the past, you will no doubt be familiar with our efficient and courteous approach towards our customers.

AFRO CONTINENTAL — forging ahead with Nigeria.

AFRO CONTINENTAL NIG. LTD.
PLOT 1620 DANMOLE STREET, VICTORIAL ISLAND, P.O. BOX 2916, LAGOS.
TEL: 622727, 611333, 611044 OR 616762 TELEX:21387 ACOUT NG .CABLES:ACONT, LAGOS.

Tony Hawkins assesses the economic recovery programme

Poised for modest growth

AFTER a decade of catastrophic economic decline, the Nigerian economy is poised for a period of modest growth, provided policy-makers can keep their resolve.

Blown off course in 1988/89 by premature fiscal reflation and excessive credit expansion, Nigeria's structural adjustment programme (SAP) is now back on track, largely because of the liquidity squeeze imposed in mid-1989.

But as the return to civilian rule in 1992 looms ever larger, so the likelihood of policy slippage grows. More serious is the danger that, unless major debt reduction is achieved before the big-spending civilians return to power, the next government will come under intense pressure to renege on its commercial debt obligations, especially if the next regime disowns the reform programme.

Gross national product ($ per head)

1980	1,021
1981	1,090
1982	1,117
1983	987
1984	902
1985	950
1986	704
1987	380
1988	280
1989	(est) 250

Source: World Bank and own estimates

Indeed, after a period in which policy-makers have been preoccupied with domestic stabilisation – the exchange rate, the budget and monetary policy – debt strategy has now moved to centre stage. Official projections show debt-service payments growing from $2bn in 1988 to $3.3bn this year and an average of $4.2bn a year – about one third of forecast exports – for the next seven years.

Even after allowing for aid inflows of $1bn a year – which might just be sustainable if Nigeria adheres rigidly to the discipline of its structural adjustment programme – and new direct investment, largely in the energy sector, of $700m annually, the country would still face a financing gap of $2.5bn each year.

It can, and will, be eased through debt-rescheduling, but in the absence of substantial debt forgiveness or buy-backs, imports will have to take the strain.

Given Nigeria's high level of import dependence, this implies sluggish growth of no more than 4 per cent a year, which with population growth of 3.2 per cent means it will take 40 to 50 years to regain the living standards Nigerians enjoyed in 1980.

It is very doubtful whether the country's political and social fabric can survive another decade of austerity.

And yet, unless energy exports, already projected to grow at 10 per cent a year, expand substantially faster, or there is a sudden, and unexpected, reversal in western perceptions of lending to or investing in Nigeria, debt relief is the only strategy that would allow faster growth in imports and output.

Because Lagos is implementing sound macro-economic policies and is servicing its foreign debt on time it can be argued that Nigeria deserves a better deal.

One option, which the World Bank, the IMF and Britain would support, is an extended structural adjustment facility (ESAF) loan from the IMF which, topped up by other donors and some of Nigeria's own oil surplus, could be used to buy back the $4.5bn of commercial debt at a deep discount.

There are many ifs and buts in this scenario, not least the deep-seated domestic political antagonism towards drawing on Fund facilities. But such a strategy would, at a cost of less than $2bn eliminate $4.5bn of commercial debt – about 15 per cent of the total $32bn – saving some $700m a year in debt-service expenses.

Blown off course in 1988/89, the structural adjustment programme is now back on track

However, if the ESAF facility is no more than $250m or so – as has been mooted – the Nigerian government might well conclude that the political cost of going back on its pledge not to draw IMF funds would be too great. The only way the package could be sold politically would be if it achieved a major reduction in the foreign debt burden.

If the West really wants to boost the still-fragile Nigerian economic recovery, an imaginative debt strategy is essential, but it is far from clear whether the donor community and the commercial banks are prepared to accept this.

The French, for instance, increasingly aware of the deteriorating economy of Francophone Africa – for which they are partly to blame – want parity of treatment for a country such as the Ivory Coast. This explains why France has come out against soft Toronto-style debt terms for Nigeria. In the weeks and months ahead, first in Washington when the country's IMF programme, due to lapse next month, is renegotiated, and then at the next round of Paris Club rescheduling, the donors and Nigeria will need to develop a debt strategy that recognises that sustained economic growth of more than 5 per cent a year is simply incompatible with net capital exports above $2bn annually throughout the 1990s. Lagos seems set to take a tough line with its creditors arguing that without debt relief, the adjustment programme will end in tears.

Exchange rate

Year	Naira per $
1980	0.546
1981	0.614
1982	0.673
1983	0.724
1984	0.764
1985	0.892
1986	1.347
1987	4.006
1988	4.482
1989	7.430

Source: IMF

Provided three conditions are met – a significant reduction in the debt burden, a gentle rise in oil prices and continued effective implementation of economic reforms – the medium-term economic outlook is probably brighter than at any time since the late 1970s.

The major achievements of the structural adjustment programme, launched in August 1986, are the managed devaluation of the naira from 180 US cents in 1980 to 12.5 cents today, trade liberalisation with the abolition of import controls and the 30 per cent import surcharge, a revised tariff structure and an export promotion scheme for non-oil exports.

A year ago, exchange rate policy was in disarray with a gap of more than 40 per cent between the auction or official rate. Although there is still a 10 per cent to 15 per cent gap between the auction and parallel market rates, this is a reflection of market segmentation rather than excess demand for the currency.

Clearly, this slump in foreign currency demand will be short-lived. Consumer spending collapsed last year in the face of rapid inflation – retail prices rose 41 per cent – and the liquidity squeeze. But as inventories are run down and wages increased later in the year, demand will start to recover, especially if there is a good agricultural season.

For the time being, the naira looks set for a period of stability. Much will depend, however, on oil prices and government's ability to maintain its tight grip over the money supply.

The outlook for inflation has improved dramatically, though inevitably there is much controversy over the published figures.

One unofficial price index put inflation at one stage last year at 74 per cent, against the official 41 per cent. However, this same index shows the rate down to 36 per cent by January 1990, confirming the official picture of rapidly-falling inflation.

Inflation forecasts for 1990 vary widely, with a consensus suggesting that the rate could be kept below 20 per cent given good rains, a relatively stable naira and unchanged fiscal and monetary policies.

Indeed, the fiscal stance is tighter than it looks, since the revenue forecast assumes an oil price of only $16 a barrel. If oil prices continue to average $19 a barrel, revenue could be more than 7bn naira higher than forecast, which would halve the deficit from a projected 14.4bn naira to less than 7.5bn naira or approximately 4 per cent of GDP, down from 10 per cent last year.

However, this is contingent upon spending targets being met which is highly problematical for two main reasons.

First, the political imperative – the need to grease wheels as the electoral process gathers momentum – but, second, the likely underestimate of the inflationary impact on public spending.

The budget projects a 30 per cent rise in recurrent spending, implying that real expenditure growth can be kept to around 10 per cent, which looks to be highly optimistic. But slippage in public spending need not be a major problem given the conservative oil price and exchange rate forecasts on which the budget is based.

To date, there has been little diversification of the economy, but this is hardly surprising since structural change is bound to be a very gradual process. Indeed, preliminary 1989 statistics suggest that the non-oil share of GDP (at current prices) has shrunk from more than 80 per cent in the early 1980s to around 66 per cent, mainly because of a steep decline in the share of services and a major fall in manufacturing's share.

While volumes of non-oil exports have doubled, in value terms at $900m in 1989 they were worth less than the $1bn earned 10 years ago.

The good news is that non-traditional exports of manufactures rose from less than $100m in 1986 to $600m in 1988, though much of this trade is more the replacement of goods smuggled into neighbouring countries when the naira was overvalued but which are now competitive in their own right.

It is doubtful whether the country's political and social fabric can survive another decade of austerity

There are some signs, too, of reduced import dependence, though with manufacturing industry importing 70 per cent of its requirements, but the gains here appear to have been only modest. Indeed, rapid deterioration of the infrastructure and a capacity utilisation rate of only 30 per cent in manufacturing are testament to continued import-dependence.

Other positive achievements include real growth of 4 per cent a year since 1987, a marked recovery in agriculture and the launch last year of the ambitious privatisation programme.

On the *debit* side, unemployment is rising very sharply, while investment at 13 per cent of GDP is simply inadequate to the task of restoring economic growth at a time when infrastructure and the environment are deteriorating at an alarming pace.

Hopes that foreign investment will revive seem unlikely to be fulfilled, though inward investment of more than $500m a year in energy is forecast. Originally, foreign investmen was a product of Nigeria's high-risk but high-return environment. The days of one- or two-year payback periods have long gone, and soaring investment and infrastructure costs will deter new capital, especially with Eastern Europe likely to become the flavour of the decade.

All of which underlines the necessity of debt relief, dedicated and improved policy implementation, and a redoubling of efforts to mobilise domestic savings, currently below 8 per cent of GDP.

If the West wants to boost the economic recovery, an imaginative debt strategy is essential

But even if these conditions are met, most Nigerians can expect little more than a very gradual improvement in their quality of life.

Sales volumes contracted sharply in 1988/89 but . . .

Rapid inflation boosts profits

RAPID inflation did wonders for corporate profits in the Nigerian economy in 1988/89. The results of 50 public quoted companies show that while turnovers rose 37 per cent, pre-tax earnings were up 62 per cent.

The 37 per cent increase in turnover suggests, even on official estimates of 41 per cent inflation, that sales volumes were at best flat and more probably, declined. Indeed, businessmen agree that volumes contracted sharply in the latter half of the year in response to the liquidity squeeze and declining purchasing power as inflation eroded disposable incomes.

This anecdotal evidence is supported also by business estimates of declining capacity utilisation, falling demand for foreign exchange and involuntary inventory accumulation.That profits should have done so well under these conditions is largely attributable to inflation. Firms raised prices in anticipation of the cost inflation caused by the sharp depreciation of the naira from 4.5 naira to the dollar in 1988 to 7.5 naira last year.

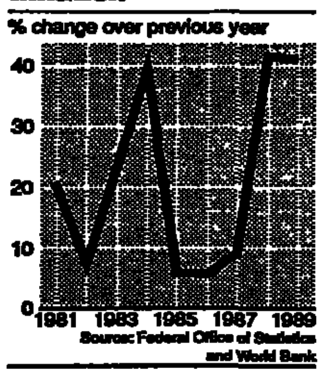
Handsome holding gains were achieved though the process was self-defeating to the extent that as selling prices escalated so consumer resistance strengthened. The result was a 5 per cent decline in prices in the latter half of the year despite continued strong upward pressure on costs. This will impact on 1989/90 profit figures which are expected to show a marked slowdown.

The profit numbers are also misleading in that, when expressed in foreign currency terms, they were little changed last year. In other words, foreign companies found that the 62 per cent rise in earnings was offset by naira devaluation, so that dividend remittances did not increase.

Margins improved from 10 per cent (pre-tax profits as a proportion of turnover)in 1988 to almost 12 per cent last year. Unfortunately, not only was this well below the 16 per cent reported in 1985/6 and 12 per cent in 1986/7, but it is also likely to prove shortlived. This is because prices are being lowered in response to consumer resistance and market competition while costs, and especially, interest expenses are biting deep into corporate earnings, especially since many firms are carrying much larger inventories than they would like.

Inflation

% change over previous year



Source: Federal Office of Statistics and World Bank

Indeed, ironically, the large inventories which during the years of foreign exchange scarcity were a guarantee of profitability are not a drain on the corporate purse.

In fact, it is often possible to import more cheaply today than a year ago. This is so since in early 1989, firms were forced to buy a large proportion of their foreign currency requirements in the autonomous market at rates as high as 10 naira or 12 naira to the dollar.

Now, they can get all the foreign currency they need at 8 naira to the dollar. Accordingly, imports landed in 1990 are being priced at a discount on 1989 prices.

This year, turnover growth will be much slower, possibly below 20 per cent, though a great deal will depend on the inflation performance in the second half of 1990.

On the profit side, margins will fall below 10 per cent to their lowest levels for 10 years, though many companies will continue to produce surprises by virtue of tough cost controls.

Commendable though this may sound, it has its darker side in the context of inadequate spending on plant renewal and on training programmes.

Above all, many companies have fully depreciated their capital stock and are almost certainly underproviding for capital replacement. Official estimates suggest the replacement cost of capital equipment has risen between 400 per cent and 500 per cent since 1984.

The combination of escalating investment costs and borrowing costs in the region of 30 per cent will encourage managers to make existing plant last longer, usually at the expense of quality and competitiveness in international markets.

Your Partner in Nigeria

BOUYGUES

★ HEAVY CONSTRUCTION
★ INDUSTRIAL
★ HOUSING
★ COMMERCIAL BUILDINGS
★ CIVIL WORKS
★ WATER RELATED WORKS
★ ESTATE DEVELOPMENT
★ OFFSHORE
★ TURNKEY PROJECTS

BOUYGUES

IDEJO STREET, V. ISLAND
LAGOS
NIGERIA
Tel: (2341) 618167-9, 618453-5
Telex: 21664, 22826, 23298

381 AVENUE DU GENERAL DE GAULLE
92142 CLAMART CEDEX
FRANCE
Tel: (331) 630 2311
Telex: 200456 F

FCMB
FIRST CITY MERCHANT BANK LIMITED

Financing a better future for Nigeria

OFFER FOR SUBSCRIPTION
₦60 Million Floating Rate Debenture Stock 1997/2004
to
upgrade and modernise the production facilities
of
PATERSON ZOCHONIS INDUSTRIES LTD
Offered by
FIRST CITY MERCHANT BANK LIMITED
March 1989

OFFER FOR SALE
14,640,000 ordinary shares of 50 kobo each at ₦1.20 per share valued ₦17.6 million
in
THE UNITED NIGERIA INSURANCE COMPANY LTD
on behalf of
THE TECHNICAL COMMITTEE ON PRIVATISATION & COMMERCIALISATION AND THE FEDERAL MINISTRY OF FINANCE INCORPORATED
Offered by
FIRST CITY MERCHANT BANK LIMITED
October 1989

OFFER BY RIGHTS
15,125,550 ordinary shares of 50 kobo each at ₦1,50 per share valued ₦22,7 million
in
MOBIL OIL NIGERIA LIMITED
to
part-finance the construction of the Head Office building at Lekki Peninsular, Victoria Island, Lagos
Offered by
FIRST CITY MERCHANT BANK LTD
October 1989

OFFER BY RIGHTS
22,312,010 ordinary shares of 50 kobo each at ₦1,00 per share valued ₦22,312,010 payable in full on acceptance
in
PRESIDENT INDUSTRIES NIGERIA LTD
to
part-finance the company's integrated oil milling project
Offered by
FIRST CITY MERCHANT BANK LTD
February 1990

DEBT CONVERSION
FCMB is playing an active role in Nigeria's Debt Conversion Programme,
In 1989, the bank handled approximately 10% of the ₦672 million disbursed under the Programme and acted for eight of the 93 fully successful conversions as at January 1990

EXPORT FINANCE
Our Export Finance Unit continues to play an important role in the promotion of Nigeria's non-oil exports through the provision of financial and advisory services to exporters.
Facilities available include:
● Short and Medium-Term Loans and Advances
● Acceptance Credit
● Sight and Term Bills of Exchange
● Spot & Forward Foreign Exchange Transactions.
During 1989, the total volume of the bank's business in this sector exceeded ₦300 million

FIRST CITY MERCHANT BANK LIMITED
LAGOS OFFICE
KANO OFFICE

PRIVATISATION

Programme ahead of target

ALTHOUGH a growing number of African countries have adopted privatisation, few are able to claim that their programmes are ahead of target. According to Dr Hamza Zayyad, chairman of the Technical Committee on Privatisation and Commercialisation (TCPC), Nigeria's far-reaching programme is six months ahead of schedule and he is "very confident" of completing it before the return to civilian rule at the end of 1992.

So far, 39 of the 90 state-owned businesses targeted for privatisation have been sold off or liquidated, and a similar number will be disposed of this year. But the 1990 programme will be more difficult, partly because several of the smaller and more saleable ventures have already been privatised, and also because the absorptive capacity of the Nigerian capital market will be increasingly put to the test.

Three main techniques are being used to privatise operations that have been part- or wholly-owned by the federal or state governments. The most important has been public share offers with a total of 95.3m shares sold last year for 142.5m naira ($19m). Almost half was raised with the sale of Africa Petroleum Ltd and National Oil and Chemical Marketing for 66m naira.

Dr Zayyad says that in 1990/91, the capital market will have to provide about 1bn naira each year, and there are very real reservations as to its capacity to raise this level of funding, especially when interest rates are at historic highs and there has been a rash of private sector rights issues as companies replace costly loan finance with cheaper equity.

The 143m naira raised last year represented about 17 per cent of new flotations on the Nigerian Stock Exchange, and unless there is a marked fall-off in private sector activity, of which there is no sign at present, a serious crowding out problem will develop. Some enterprises cannot be sold as going concerns and these have been privatised by selling off the assets. The third route is private placement which is likely to become more important now, partly because it is quicker and easier than public issues but also because it opens up a different category of buyers, in the form of both local and foreign firms.

In the first quarter of 1990, two offers have been launched – one for Nigerian Yeast and Alcohol Manufacturing Co (3.2m naira) and a much larger one for Ashaka Cement Co (39m naira). Later in the year, the Government plans to sell its holdings in a broad range of enterprises from hotels to palm oil processors and from breweries to development banks. The really difficult mega-sales will come in 1991 when the committee plans to sell off Nigeria Airways, and large industrial ventures such as the National Fertilizer Company, three steel rolling mills and National Paper and Nigeria Newsprint Manufacturing.

Formidable though they are, the challenges of the privatisation programme pale into relative insignificance compared with those of commercialisation. The TCPC has completed diagnostic word on 32 of the 35 enterprises to be commercialised – significantly, the two large steel investments, Ajaokuta and Delta steel are being treated separately. Twenty-four enterprises are to be partially commercialised.

The remainder will be expected to become financially self-sufficient – full commercialisation. Dr Zayyad foresees four significant threats to commercialisation:

■ The need to restructure the finances of many of the parastatals so that they will be able to pay their way. He hopes the World Bank will lend Nigeria $300m to refinance and rehabilitate rundown and undercapitalised enterprises. While the Bank is keen to back what it sees as a long-overdue package of reforms, it is unlikely to come forward with the necessary volume of support.

■ A second prerequisite is the recruitment and training of the skilled personnel needed to implement a programme of fundamental change throughout the parastatal sector.

■ Perhaps the most difficult challenge of all is that of changing the enterprise culture. In Dr Zayyad's words, there are "too many parasites who have turned these institutions into patronage centres".

■ Finally, there is the question mark over the return to civilian rule itself – the danger that the civilian government which takes over in 1993 will lack the commitment and authority to make commercialisation stick. Certainly, the well-intentioned reform programmes of previous administrations collapsed when they ran up against the combination of bureaucratic inertia and vested interests that has dominated the Nigerian public sector since independence.

The importance of the programme cannot be exaggerated. During the 1982/88 period the Federal government pumped loans of 5.5bn naira - about 1 per cent of GDP - into the state enterprise sector. The largest single recipient by far was NITEL (the telecommunications parastatal) with 1.1bn naira, followed by the steel sector with 950m naira, NEPA (the electricity utility) with 800m naira and the railway network with 600m naira.

Tony Hawkins

INVESTMENT

Africa may come second

FROM AN African viewpoint, far-reaching political and economic change in Europe could hardly have come at a worse time.

The opening up of enticing new investment opportunities, both in East Europe and the EC, with the creation of the single market in 1992, is bound to reduce new foreign investment in Africa.

Aid dependence has increased dramatically and, with it, recognition that African countries must attract private foreign capital, because aid flows are proving inadequate, qualitatively as well as quantitatively.

Nigeria is by far the largest recipient of foreign investment in sub-Saharan Africa (excluding South Africa). Since 1981, inflows have exceeded $4bn – more than half the total for the region as a whole. For an economy accounting for roughly 20 per cent of regional GDP, this might seem to be more than satisfactory, but there are three main snags.

The most serious is that the volume of capital repayments averages $4bn a year (before rescheduling). Add to this a current account deficit of $2bn in 1988, and a huge financing requirement of $6bn emerges. Since 1986, Nigeria has been a substantial net exporter of capital – a condition simply incompatible with self-sustained economic growth. While debt redemption and cancellation may narrow the gap, it has no positive impact on domestic economic activity.

The second problem is that most of Nigeria's capital inflow is targeted on the energy sector – oil exploration and expansion and the development of the LNG project. The dangers of aid dependence are compounded by growing dependence on the energy enclave. In other words, "structural" adjustment is not taking place.

The third, and most recent, is the emergence of a disturbing trend towards disinvestment – most noticeable, perhaps, in banking. Barclays has already left, while the Bank of America, the Bank of Boston, Chase Manhattan and First Chicago are in the process of extricating themselves altogether, or reducing their Nigerian exposure. In manufacturing, a similar picture emerges – British Leyland, Wiggins Teape, Tate and Lyle, Sanyo and ICI.

But the flow is not all one way: Coca Cola is to invest $13m in a new wholly-owned Nigerian subsidiary. This is particularly significant because it marks a major policy reversal following the 1990 Nigerian Enterprises Promotion decree, which allows foreign firms to own 100 per cent of the equity in certain activities. The previous (1977) decree contained three schedules, identifying activities that must respectively be 100 per cent, 60 per cent and 40 per cent Nigerian-owned. The new decree abolishes two of the schedules while reserving 40 activities for 100 per cent local ownership. But, even here, exceptions are possible, provided the business has a capital in excess of $2.5m, which escape clause has been applied to Coca Cola.

However, the new law is seriously flawed in the distinction made between new and existing investors. Unless the regulations are applied much more flexibly than seems probable, foreign firms already invested in Nigeria will not be allowed to secure 100 per cent, or even; in many instances, majority control, of their businesses.

A possible loophole is the creation of an entirely new subsidiary, but the authorities seem likely to block such a manoeuvre, which has many disadvantages anyway in terms of loss of brand-names and costs of restructuring. Some firms, though, are determined to put the ambiguous new decree to the test, on the argument that, if Lagos is serious about wanting to attract new foreign capital, allowing existing firms to regain majority control of their own businesses would send a positive signal to potential newcomers.

Optimists point to last month's signing of a bilateral investment protection treaty with France as evidence of a new mood. Some bankers report significant new foreign investment by smaller-scale Indian-owned firms, while, in less than two years since it was launched, some $320m of new investment has been undertaken through the debt-conversion programme.

But in Lagos, one quickly detects a marked reluctance on the part of European, North American and even Japanese businesses to commit new capital in Nigeria. The reasons are not hard to find. Not even the most patriotic Nigerian would describe the business environment as investor-friendly.

Heavy-handed bureaucracy and narrow-minded chauvinism continue to dominate the country's industrial policy

Investment costs are high – probably twice their level in East Asia – while returns on investment are less than half those available on the Pacific rim. Tax rates are high, too, while the infrastructure is inadequate and unreliable, forcing companies to operate stand-by generators, to spend heavily on security and absorb substantial pilferage costs.

The telephone system is a disaster, and the railway network is in disrepair. While the authorities are willing to grant multiple entry visas, obtaining them is both time-consuming and frustrating. Expatriate quotas are rigorously applied. In sum, the investment environment is inhospitable.

This is acknowledged in government, but progress towards creating a more positive investment climate is depressingly slow. It has taken more than a year to translate the 1988 industrial policy blueprint into a decree. The record of the Industrial Development Co-ordination Committee (IDCC) – Nigeria's version of a one-stop investment agency – set up in January 1989, is hardly reassuring. In its first nine months, it considered 167 applications for business permits, approving only 36, and granting 23 expatriate quotas. Less than half the firms seeking Pioneer Status were approved, while only one in five of those seeking Approved Status were successful.

More ominously, the IDCC detected "unhealthy trends" in some applications, including the purchase by foreigners of wholly-owned Nigerian businesses and the buying out of joint-venture partners by foreign investors.

The IDCC's firm assertion that expatriate firms, while free to own 100 per cent of unscheduled *new* businesses, cannot buy out existing ones, suggests that, for all the talk of market-oriented policies and deregulation, heavy-handed bureaucracy and narrow-minded chauvinism continue to dominate the country's industrial policy.

Tony Hawkins

If you're thinking of which Merchant Bank to use in Nigeria...

Here's a final check - list.

- Can it finance my projects?
- Does it have experienced professionals, with youthful vigor that can react swiftly to my banking needs?
- Does it have the technological resources to offer me efficient international trade services?
- Is the bank flexible enough to be able to adapt to my unique requirements?

Does your shortlist leave you with more than one Merchant Bank?
If yes, your best choice is Prime Merchant Bank

CORPORATE BANKING: Term Loans & Advances, Equipment Leasing, Debt Conversion Services, Mergers & Acquisitions etc.
FINANCIAL SERVICES: Letters of Credit, Export Development & Financing, Foreign Exchange Market Transactions (FEM), etc

PRIME MERCHANT BANK LIMITED
STOCK EXCHANGE HOUSE, (19th/20th FLOORS) 2 CUSTOMS STREET, TINUBU, LAGOS. P. M. B. 12893, Lagos. Tel: 661281, 661283, 661292, Telex: 22003, 22030, Fax: 665393.

ADLAND–LAGOS

B

BRANDLER UK LTD
ASSOCIATES

IN NIGERIA SINCE 1947

SUPPLIERS AND BUYERS OF RAW MATERIALS

10, JOHN SPENCER SQUARE
LONDON N1 2LZ

TEL: 01 226 5947/4439 FAX: 704 9526
TLX: 295259 BRUK G

OB OWENA BANK

OWENA BANK (NIGERIA) LIMITED

OFFERS A FULL RANGE OF MODERN BANKING Services

THROUGH ITS BRANCHES AT
AKURE—APAPA—LAGOS—IBADAN—KANO—OKITIPUPA—ONDO—ADO-EKITI—OWO—OTTA—IKARE—IKEJA—KADUNA—ODE-EKITI—OKE-AGBE—IGBESA—DOCEMU—PORT-HARCOURT—IKORO-EKITI—ISHUA

HEAD OFFICE: 17 OYEMEKUN ROAD, AKURE, ONDO STATE OF NIGERIA
CENTRAL OFFICE: 30/32 CREEK ROAD P.M.B. 1122, APAPA—LAGOS, NIGERIA
TEL: 878100, 878083, 877901, 877903 TELEX: 22625 OWENA NG.
TEL: 803030, 803031, 803032—4

Affiliated With:
Middle East Bank Ltd

Our Strengths

Asset base of over N2 billion.
117 branches throughout Nigeria and one in London with over 55 correspondent banks in forty world capitals.
Half a century of business experience in Nigeria.
An astute and innovative management team.

Our Mission

Responsiveness in every respect.
To offer prompt and efficient banking services of the most excellent quality, and to provide imaginative and highly competitive financial products specially tailored to meet your varying business needs.

Your Benefit

A powerful ally in the world's largest black economy.

ACB

AFRICAN CONTINENTAL BANK LIMITED

HEAD OFFICE:
"Continental House" 106/188, Broad Street, P.M.B. 2466, Lagos. Phone: 660161, 660198
Telex: 21282

LONDON OFFICE:
24-28, Moorgate, London EC2R 6DJ Phone: 01-6287131. Cable: POPULIBANK, London.
Telex: 884355.

Responding to the changing needs of these times

GUINEA

Your first choice in General Insurance Life and Pensions

GUINEA INSURANCE CO. LTD.
Investment House,
21-25 Broad Street, P.O. Box 1138, Lagos
Telephones: 660630, 660653, 660701, 665201
Telex: 21680 Cable: Golden

Branches
Ibadan - Kaduna - Kano - Aba - Maiduguri - Port Harcourt - Benin - Ikeja - Surulere

FOREIGN TRADE

Importers are feeling the pain

THE FALL of Nigeria's foreign trade since 1981 has been painful for importers and foreign suppliers alike. In the past five years, Nigeria has been forced to husband a large trade surplus, totalling $14bn in order to service its foreign debt — an outcome achieved largely by a tough strategy of import repression.

This year, exports are forecast at $10.5bn — less than half their 1980 peak of $26bn — while imports projected at $6.9bn compare with a record $19bn in 1981. The forecast $3.6bn trade surplus will only just be sufficient to fund capital repayments of $1.2bn and interest of $2.1 bn.

For the foreseeable future Nigeria will have to maintain large trade surpluses to finance debt-service payments increasing from $3.3bn in 1990 to $4.4bn a year in the mid-90s.

Food imports have recently averaged less than 10 per cent compared with 15 per cent in 1983

Quantitative import controls used in the early 1980s were dismantled in 1986, to be replaced by a combination of domestic demand restraint and currency depreciation. In consequence, market forces working through the cost of credit, but more obviously, through the high price of imported goods have restricted imports to an average of $6bn a year, less than a third of their 1981 levels.

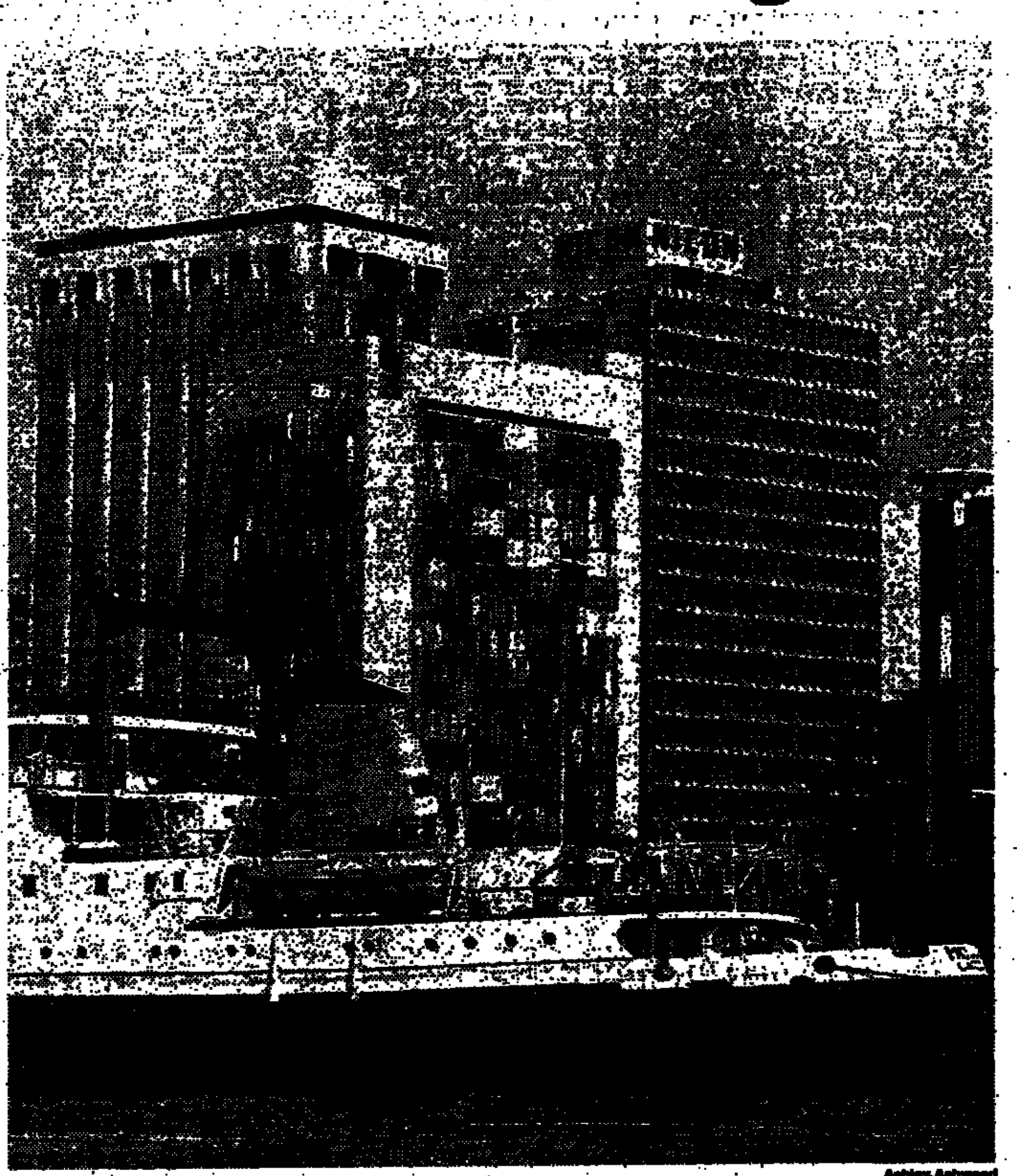
Because manufacturing industry and investment are both heavily import dependent, the strategy has capped the country's economic growth rate, reduced industrial efficiency — caused by inadequate replacement investment in infrastructure and capital equipment — without, as yet, fostering as much growth in import-replacement and non-traditional exports as hoped. It could be that this will take root in the early 1990s and the opening of Ecobank in Lagos with its sights firmly set on developing regional trade along the west coast, is a move in the right direction.

Non-oil exports at $900m a year are lower than they were 10 years ago, partly because first cocoa volumes and subsequently cocoa prices fell, but also because exports of cocoa butter and palm kernels have declined. Given the unreliability of trade statistics in Africa, there are no detailed figures of the other — substantial — non-oil exports.

IMF figures show these rising from only $21m in 1985 to $670m in 1988. The figure is a residual, based on the difference between oil earnings and total exports, after taking account of cocoa exports of $275m. Clearly, official exports of textiles, beer, building materials and household goods have risen with the devaluation of the naira. The precise extent to which previously informal cross-border trade in the region has been formalised as a result of exchange rate realignment is unclear, but a realistic naira exchange rate has opened up export opportunities in regional markets.

Three categories dominate imports — capital equipment including vehicles (40 per cent), chemicals (30 per cent) and miscellaneous manufactures (25 per cent). Capital goods and raw materials used by industry between them account for 70 per cent of the total with consumer goods comprising 30 per cent. Imports of consumer durables, which in 1980/1 were massive, now account for a mere 1 per cent of the total.

In recent years, food imports have averaged less than 10 per cent compared with 15 per cent in 1983, and this ratio should decline further as the government seeks self-sufficiency in food production.



Ashley Ashwood

Lagos dockside: Nigeria's foreign trade has dropped significantly since 1981

Foreign trade ($bn)

Year	Exports	Imports
1980	25.9	14.6
1981	18.1	19.0
1982	12.2	14.9
1984	11.9	8.9
1985	12.6	8.3
1986	6.6	5.7
1987	7.5	5.8
1988	7.4	5.7
1989	9.4	6.3
1990*	10.5	6.9

*Forecast Source: World Bank and own estimates

Trade is dominated by the US on the export side while Germany and the UK are Nigeria's main suppliers. In 1988, the US purchased just over half Nigeria's oil exports, while the Netherlands with 8 per cent and France with 6.5 per cent were also important markets. Most (63 per cent)of recorded non-oil exports go to the EC, especially the Netherlands and Britain which import Nigerian cocoa.

Disappointingly for the policy-makers, there is no evidence of a reduction in import dependence

Germany was Nigeria's main supplier in 1988 when it accounted for just over 16 per cent of imports followed by the UK with 15.9 per cent and France with 10 per cent. The US and Japan with market shares of just under 9 per cent each were also significant suppliers.

Disappointingly for the Nigerian policy-makers, there is virtually no evidence of a reduction in import dependence. The lesson is that price is not necessarily what matters. Import replacement activities require a mix of investment, technology entrepreneurial flair and, above all, technical expertise which all too often is not available in the manufacturing sector. This is just one more reason why new foreign investment is crucial to Nigerian recovery.

Tony Hawkins

Debt-conversion programme gains popularity

A cheap way in

AS BANK liquidity dried up and interest rates rose steeply in mid-1989, so Nigeria's debt-conversion programme gained popularity.

It provides an effective vehicle not just for funding new investment requirements at rates well below those ruling the Nigerian capital market, but also for boosting effective returns on that investment.

The conversion market had its origins in the build-up of trade arrears owed by Nigeria to foreign suppliers in 1982-83. These were converted into promissory notes; worth almost $5bn. From 1986, the Nigerians fell behind with both interest and capital payments, and in 1988 the debt was rescheduled. With the price of this paper falling below 20 cents in the dollar in 1989, potential investors could either buy paper in the secondary market or offer their own notes at the debt-conversion auction to buy naira at a very substantial effective discount.

In the first half of 1989, with an exchange rate of 7.5 naira to the dollar, an investor buying the notes at 20 cents and offering them at a 50 per cent discount at the auction was able to obtain 12.5 naira for every dollar invested. Thus, a $10m investment would buy 125m naira — 66 per cent more naira than the 75m naira obtained at the official rate of exchange.

At recent auctions, the mechanism has become less attractive, partly because the naira itself has slipped to eight to the dollar, while the discount offered at the auctions has averaged 47 per cent. Clearly, the higher the discount rate and the cheaper the paper in the secondary market, the more advantageous the conversion for the foreign investor. Steady buying has pushed the secondary-market price of Nigerian paper above 30 cents, thereby narrowing the effective discount. As a result, a $10m investment still buys 125m naira — but this is only 56 per cent more than the 80m naira available at the official rate.

None the less, it is still a cheap way into the Nigerian market, compared with bank borrowing rates — if you are lucky — of the order of 27 per cent upwards. Its attraction will decline, though, if foreign firms and the Nigerian authorities themselves continue to push prices higher by buying paper in the secondary market.

Balance of Payments ($bn)

	1988	1989	1990
Exports (total)	7,400	9,400	10,500
Oil	6,500	8,500	9,600
Non-oil	900	900	900
Imports	5,700	6,300	6,900
Trade balance	1,700	3,100	3,600
Net invisibles	−2,900	−3,000	−3,900
Current account	−1,200	−100	−500
Net capital	900	1,000	1,200
Overall balance	−300	900	700
Debt service flows			
Repayments	800	1,400	1,100
Interest	1,300	1,500	2,200
Total	2,100	2,900	3,300

Source: IMF and own estimates

To date, there have been 12 auctions at which a total of $321m of foreign debt — not only promissory notes but also some commercial bank debt — has been redeemed. In addition, more than $120m has been converted outside the auction.

At recent auctions, the mechanism has become less attractive, partly because the naira has slipped to eight to the dollar

The official objectives of the programme are:

- Reduction of Nigeria's external debt and debt-service burden;
- Attraction of new foreign investment;
- Encouragement of export-oriented activities; and
- Creation of a new incentives for the repatriation of flight capital.

There are strict guidelines governing the eligibility of investments, with priority for new, or expansionary, projects that offer a high employment content in manufacturing, agri-business, mining and forestry. Conversion can also be used by Nigerian nationals to acquire shareholdings in existing Nigerian companies, and also for financial restructuring.

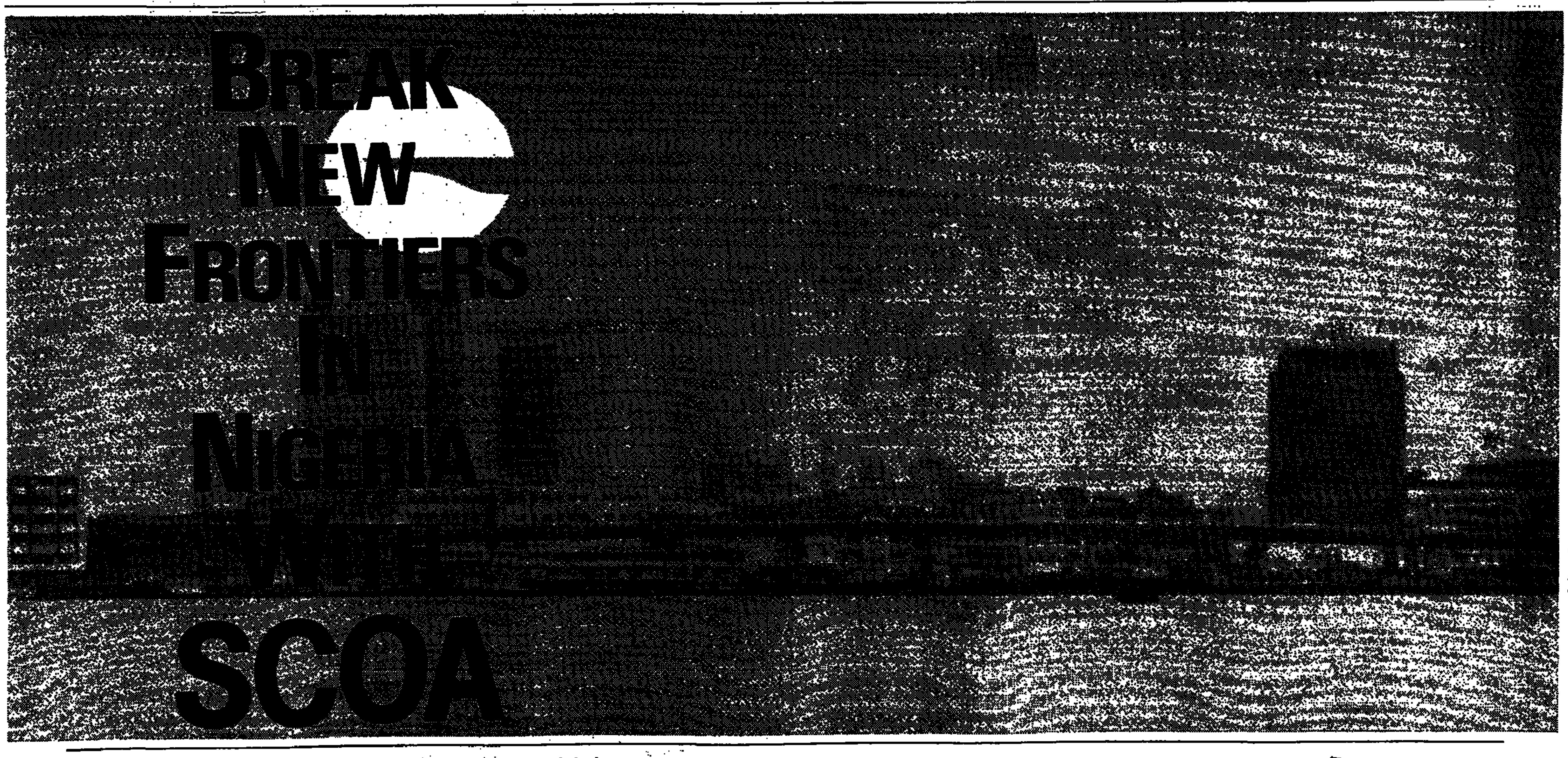
Indeed, several foreign companies have used conversion to finance their share of rights issues on the Nigerian Stock Exchange.

The Government plans to redeem 120m naira a month ($15m at current exchange rates) in 1990. This target may not be reached with redemptions falling sharply from 130m naira at the ninth auction late last year to only 65m naira in February.

One reason for this is the decline in the effective discount resulting mainly from higher secondary-market prices for Nigerian paper, but there are other explanations, too. Round-tripping has been taking place, with firms using the auction to realise quick foreign currency gains. The Nigerian authorities are unhappy, too, about the use of debt conversion to reduce domestic bank borrowings. Businessmen have complained about the pace of disbursement of the naira balances, but bankers say the central bank is not to blame so much as investors who have failed to produce all the required documentation.

Central bank insistence, prior to the auction, that the investor already own the promissory notes, is another factor inhibiting the process. But most serious of all is probably investor reluctance — even with the benefit of the discount — to put extra funds into the Nigerian market. At the end of the day, this remains the crucial obstacle to greater debt conversion.

Tony Hawkins



Business frontiers. Representing vast potentials in commerce and industry in Nigeria.
SCOA has been exploring these opportunities with companies like Peugeot, Toyota, IBM, Suzuki, Valeo, Fiat Geotech, Elf and Michelin.
SCOA is Nigeria's second largest conglomerate company, operating profitably in an environment we understand very well.
We will be happy to represent your company's business ventures in Nigeria. Together, we shall profitably break new frontiers with limitless opportunities for growth.

SCOA NIGERIA Limited

the future starts today

Head Office: 67, Marina, P.O. Box 2318, Lagos. Tel: 01-668906, 668908, 668910, 668945, 661228. Telegraphic Address: TORFYRDEP, LAGOS. TELEX: 21017 SCOA NIGERIA

The 1980s was industry's toughest decade, says Tony Hawkins

Investment the key to revival

FEW NIGERIAN industrialists were sorry to see the end of the 1980s – for many of them the toughest decade ever experienced. Manufacturing production, at constant prices, is lower today than 10 years ago. Capacity utilisation is estimated at 31 per cent – down nine points last year alone. In the food and beverage sector, employment has halved while a number of foreign industrialists, from the UK's ICI to Japan's Sanyo have divested.

Small wonder then that Nigerians speak darkly of de-industrialisation, predicting that in the 1990s, the country will become still more dependent on its energy enclave.

Manufacturing's share of GDP rose from 10 per cent in 1981 to 11.5 per cent in the mid-80s, before falling to just over 8 per cent last year. Whatever the accuracy of these numbers – and they should be interpreted with considerable caution – there is no gainsaying the fact that an economy with such a large domestic market should, by now, have developed a far stronger industrial base. It's failure to do so is largely attributable to past policies based on high protection, overvalued exchange rates and the encouragement of import substitution.

The decline of the motor vehicle assembly industry illustrates Nigerian-style de-industrialisation. The number of units produced is about 10 per cent of 1980 levels. Peugeot, with a capacity to assemble 70,000 vehicles annually, is producing 7,000 and Volkswagen about 4,000 when, at full tilt, it could assemble 50,000. Only 15 per cent of its inputs are supplied locally with the result that output fell and prices soared when the naira was allowed to depreciate.

Structural adjustment since 1986 has forced manufacturers to restructure, developing local sources of supply as in the Nestlé group's new malt extract plant. At the same time, repair and servicing activities have assumed far greater importance. Vehicle manufacturers are focusing more on repairing the existing largely-obsolete fleet, selling reconditioned engines and spares, rather than new cars.

De-industrialisation it may be, but it is also a type of activity far more appropriate to Nigeria's factor endowment – plentiful unskilled and semi-skilled labour and an acute scarcity of foreign exchange and capital.

At the same time, efficiency has improved, partly because trade liberalisation has encouraged fierce competition from imports, but also because with the precipitous decline in disposable incomes and huge increases in costs of imported inputs and energy, manufacturers have become far more cost- and quality-conscious.

What was a seller's market two or three years ago, is now a buyer's market. Until very recently, the foreign exchange crisis allowed firms to sell whatever they could produce, often at handsome margins. Weak demand, high interest rates and excess capacity are squeezing margins and profits forcing management to cut costs and rationalise lines.

Firms processing local materials – breweries, beverages, agribusiness, some textiles and tyres and tubes – are benefiting, but the Manufacturers' Association of Nigeria (MAN) still says that "unalloyed implementation" of existing monetary and fiscal policies will de-industrialise the country.

According to MAN, the doubling of interest rates, the sevenfold increase in electricity charges and continued naira depreciation between them represent a serious threat to manufacturing industry. Its call for reflation seems unlikely to be heeded by Government so soon after the 1988/89 reflationary debacle which is responsible for both high interest rates and the weak naira.

Also disquietening is MAN's call for rapid implementation of the Ajaokuta flat steel sheet project despite all the evidence to suggest that the economy would benefit by dropping this white elephant before it's costs increase any further.

But MAN's pessimism is not shared by leading industrialists who believe the worst is past, arguing that current policies are more likely to revive manufacturing activity now that foreign exchange is more readily available and inflation is being squeezed out of the system. Official projections point to a strong recovery with industrial growth of 6.5 per cent this year – after a 5 per cent decline in 1989 – with manufacturing expanding at more than 7 per cent a year throughout the 1990s.

Critics are sceptical, pointing out that a year ago the Government was forecasting growth of 8 per cent and a rise in capacity utilisation to 60 per cent. There is broad agreement that given the country's high cost structure, Nigerian manufacturers are unlikely to penetrate export markets in the immediate future. This means firms must focus on domestic market opportunities at least for the next decade, and on sourcing more of their inputs locally. A 1990 study shows that local sourcing accounts for only 30 per cent of industry's requirements.

A second priority is increased value-added from the domestic processing of raw materials. But the decision to ban cocoa bean exports will pay off only if there is substantial investment in new capacity. At present, Nigeria can process less than half its crop and, in any event, direct controls conflict with the Government's commitment to a market-regulated economy.

It's depressing, too, that so many firms forced into growing their own raw materials during the 1980s to save foreign exchange, are thoroughly disillusioned with their experiment in backward vertical integration. Indeed, their disillusion is seized upon by critics of the World Bank-funded Structural Adjustment Programme (SAP) as justification for a tariff strategy that allows cheap imports of industrial inputs and the re-industrialisation of Nigeria through the revival of import-dependent assembly-type manufacturers.

Industrialists say, too, that they earn good naira profits because they are operating with fully-depreciated plant. Such a short-term view implies that manufacturing industry is not about to achieve competitive advantage at home, let alone in international markets. The key to industrial revival in Nigeria is not just higher capacity utilisation but a quantum leap in manufacturing investment – in human as well as physical resources.

Nestlé goes farming

NESTLE'S new malt extract plant commissioned last month is concrete evidence of Nigeria's new industrial strategy emphasising local raw materials.

Food Specialities (Nigeria) (FSN) is 40 per cent owned by Nestlé with the remaining 60 per cent of the equity held by some 8,000 Nigerian shareholders.

Aware that the Government planned to restrict wheat imports, FSN set up its own farming subsidiary – Agro Development Nigeria – to grow sorghum, drawing on its parent's technical expertise.

Today it relies on its farm for about half the sorghum needed for its Cerelac and Nutrend baby foods, with the remainder being purchased from small-scale farmers to whom it provides seed, fertiliser and technical advice.

Its own farm now has 780 hectares under crops – sorghum and soya beans – compared with only 50 hectares five years ago. FSN invested 33m naira ($4.2m) in the sorghum malt extract plant which will save Nigeria some $5m annually in foreign exchange. It is being part financed by a rights issue of shares floated on the Nigerian Stock Exchange.

A big disappointment is that the farming operation is not yet profitable though FSN says this is attributable largely to the heavy capital outlay in expanding production. It hopes that once capacity production is reached, the farm will show a profit.

Tony Hawkins

Ashley Ashwood

Patterned industry: more efficient but less profitable

William Keeling on trade unions

Organised labour takes a battering

LIKE AN unfit heavyweight boxer whose legs have gone, the Nigerian Labour Congress (NLC) has been beaten about the political ring by President Ibrahim Babangida. The NLC is the umbrella organisation for Nigeria's 42 separate trade unions representing about 5m workers. The rhetoric still bravely proclaims workers' rights but it lacks clout.

While the workers' pay packet has suffered from high inflation and a depreciating currency, the number of unemployed has also increased. Since the economic crisis began to bite in the mid-1980s, there have been massive lay-offs in the public and private sectors. There are no accurate statistics of the unemployed but the NLC estimate during 1985-87 more than 2m members were made redundant.

Also swelling the ranks of the unemployed each year are tens of thousands of the country's university graduates who are faced with a dearth of jobs on the labour market. Although all might seem quiet on the labour front, the danger exists that this group of educated young people will vent their frustration through violent demonstration.

As the riots of June last year showed, such violence lurks beneath the surface. Yet the NLC has failed to channel this discontent to its own benefit. Its foremost problem has been internal with the NLC split for much of the 1980s into two opposing factions, the "Marxists" on the left and the "Democrats" on the right. The Government intervened by appointing a sole administrator who negotiated a single list of candidates for the election of new officers to the NLC in February 1988. Last May the new leadership tested the strength of the NLC by launching a political party, the Labour Party, to compete in the transition to civilian rule.

In so doing it incurred the wrath of the Government with Alhaji Abubakar Umar, the Minister for Labour and Productivity, proclaiming "the NLC is committing an act of illegality and very soon we will have to call a stop to that". The foray into party politics was brought to a premature end when President Babangida changed the course of the transition programme by dissolving the 13 competing parties.

Within the NLC are those who considered the creation of the Labour Party as a tactical error. They argue that the move was viewed as confrontational by Government whereas the NLC should be concentrating on dialogue. In particular, they believe its standing on the issue of the minimum wage has been weakened.

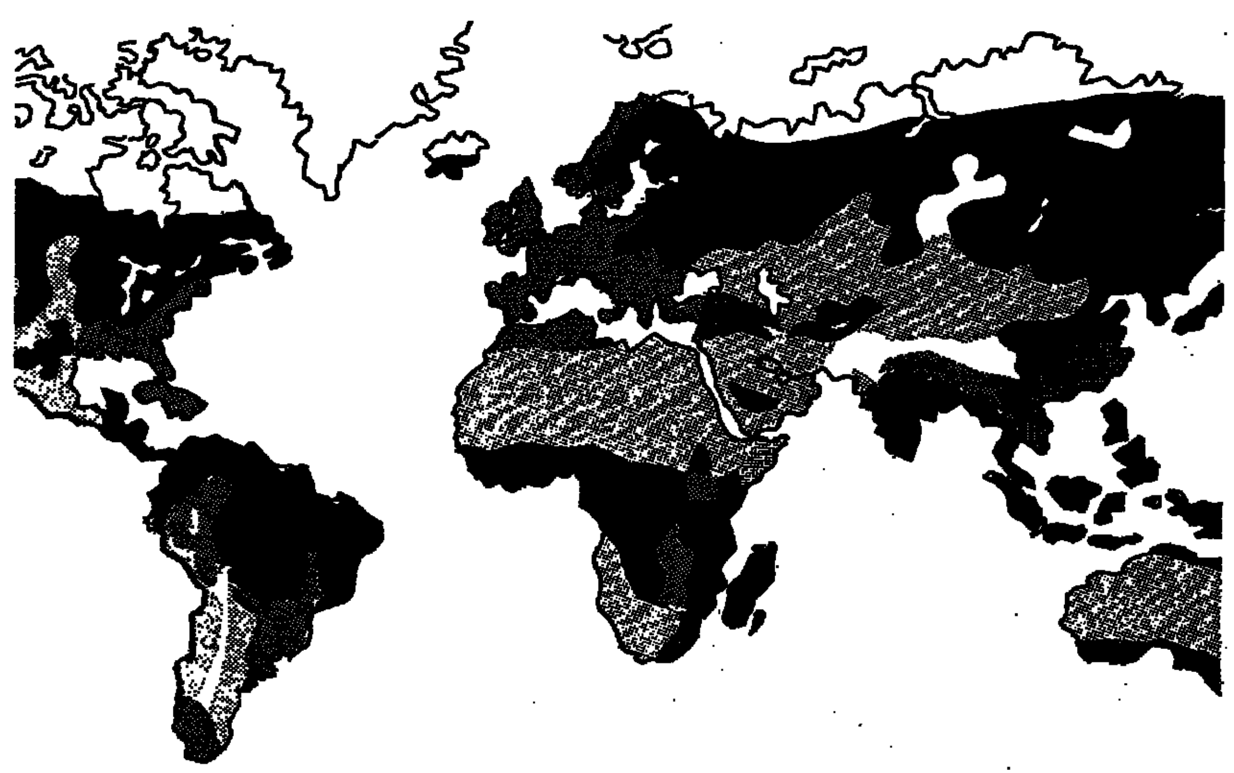
In April, in order to provide a strong political platform for the emerging Labour Party, the NLC demanded a rise in the minimum wage, last set in 1981, from 125 naira to 1,490 naira a month.

The case for a rise is strong for over the nine years the equivalent dollar value has fallen from $150 to about $16. The NLC renewed its demand in June and August but the Government failed to respond. In December – two months after the dissolution of the Labour Party – a general strike was threatened unless the Government agreed to tripartite negotiations with the NLC and private employers. The Government finally succumbed and the first meeting is due this month.

The president of the NLC, Mr Paschal Bafyan, argues that they "could not possibly keep quiet in the face of suppressed wages". But his critics believe that he has badly miscalculated in his demand for a rise to 1,490 naira a month which is more than half the average yearly per capita income in Nigeria. In addition, though the present level of 125 naira is low it is usually linked to an associated benefits package involving travel and housing allowances. It will be difficult for Mr Bafyan to reach agreement at the negotiations without a substantial climbdown and subsequent loss of face.

Meanwhile, the Government has gone on the offensive by publication in February this year of a White Paper detailing proposed changes in the organisation of the NLC. Among the recommendations are that the post of general secretary should be elective; that the NLC should be non-ideological; and that foreign scholarships for the NLC should be vetted by government. Though expressing their dismay at such interference, a punch-drunk NLC appears uncertain of its next move.

Whatever the weather...



only the best banking art holds the key to success

We are at your disposal for:

- Foreign Exchange Remittances
- Debt - Equity Swaps
- Privatisation
- Export Financing
- Equipment Leasing
- Other Financial Services

IMB

...the bench-mark of merchant banking

IMB INTERNATIONAL MERCHANT BANK (NIGERIA) LIMITED

1, Akin Adesola Street, Victoria Island, P.M.B. 12028, Lagos. Tel: 612204, 613000, 614834, Telex: 21169. Cable: Benchplace.

AFRIBANK

Your Nigerian bank serving you internationally through its wholly owned subsidiary in Europe (IBWA Finance Co. Ltd Dublin)

Commitment to full range of financial services

...the efficient and courteous... AFRIBANK

Head Office: 94 Broad Street, Lagos. Telex: 21345 AFRIBANK, 22382 AFRIBANK, 22383 AFRIBANK. Tel: 664135, 662301, 663608, 663551, 663663.

William Keeling on the long-delayed Ajaokuta steel plant

The stuff of a $3bn fable

THE AJAOKUTA steel plant, situated on the banks of the River Niger in Kwara State, is fast becoming the stuff of fable. Designed by the Soviet Union, its construction is years behind schedule with a costs already $2bn above estimates.

The public has long been asking anxiously when the first billet will appear, and the Nigerian newspapers have taken to providing imaginative answers. In January, The Reporter, a Kaduna-based daily, repeated allegations that the plant was a damaged relic from Second World War Germany, stolen by the Russians and sold to Nigeria 30 years later. Though less fanciful, the truth provides little solace for the Nigerian people.

The proposal was for a 5.3m tonne a year plant to be constructed in three phases. The contracts for phase one, a long and medium sections product plant with a capacity of more than 1m tonnes a year, were signed in 1979 with a commissioning date set for 1986. Since the slump in oil prices slashed Nigeria's export earnings, the date for completion has fallen back and costs have soared. Originally estimated at 1bn naira ($1.4bn in 1979) costs have already broken $3bn and are likely to exceed $6bn before production can proceed.

Problems with the phase one plant have been multiple, not least that it has effectively been built backwards, rolling-mills first with the blast-furnaces following. The intention was to import the billets for the mills while the domestic infrastructure for an integrated industry was put in place. The present economic climate prevails against this plan. Two of its four mills were completed in 1984 but have stood idle due to the prohibitive cost of billets.

With the squeeze on its foreign exchange earnings, the Government fell into payment arrears with the four contractors. Work slowed as Berger from West Germany and the French companies Dumez and Fougerolle awaited payment. The fourth contractor is Tiajpromexport, the Soviet designers who are providing its machinery.

Despite being owed more than DM150m, Tiajpromexport has continued working and is close to completing the coke-ovens and blast-furnaces. But even with phase one of the plant intact, production will be delayed. As originally planned, it would have produced 500,000 tonnes a year of long products and 560,000 tonnes a year of medium sections. But domestic demand for the latter is only a fraction of potential supply.

The continued construction of Ajaokuta became a bone of contention between the Government and the World Bank. When the two parties entered

The public has long been asking anxiously when the first billet will appear

discussions last year over priorities in the Government's public-spending programme, Bank officials argued that the plans for Ajaokuta had to be radically reviewed, spending had to be cut and the modified plant integrated into the rest of Nigeria's steel sector. Already existing is the direct-reduction Delta Steel Plant with a 1m tonne a year capacity and three rolling mills with a combined capacity of 630,000 tonnes a year.

For six months the Nigerian authorities held out; to many defenders of Ajaokuta it represents the nation's most forthright attempt to secure an industrialised future. For them there is no going back on Ajaokuta. The impasse caused the second half of a $500m World Bank trade and investment policy loan, signed at the end of 1988, to be delayed.

The matter was resolved late last year, although details of the compromise have not been made available by either party. In the opinion of many observers, fundamental flaws in the project would make any such compromise unsatisfactory. They argue that if the plant is to find a market for its output not only must it be modified but an additional flat-products mill is essential.

However, there are technical problems in building a flat-products mill with a capacity of less than 1.2m tonnes a year, again far exceeding domestic demand. Unless export markets are found, the flat-mill (which will cost about $800m) would be unlikely to run at full capacity until 2010.

Securing supply of primary inputs – the plant will require iron-ore and coking-coal – is also expected to delay production. The former is being sourced from the Itakpe reserves, 56km from the site, while the latter has to be imported. Itakpe has yet to start production and a beneficiation plant will have to be built to enrich the ore for use at Ajaokuta.

Transporting the coking-coal is a more complex matter for Ajaokuta is 250km from the coastal ports. The plan had been to dredge the River Niger but the cost, degree of maintenance required and the frequency of barges needed to keep the plant supplied all militate against this. Ajaokuta is badly situated for rail transport, being 150km from the nearest line, but this would appear to be the most viable option.

The Nigeria Railways Corporation is badly managed and in desperate need of rehabilitation. In its present state it would be dangerous to rely on it for security of supply. And a secure supply of coking-coal for Ajaokuta is essential, for once fired up the design of the blast-furnaces requires them to be run continuously at a minimum 60 per cent capacity. Below this critical level the furnaces are liable to damage.

Production at the plant will realistically have to wait for a World Bank-financed $300m project to rehabilitate the Railway Corporation and this is unlikely to be completed before the second half of the decade. Unless the Government is able to find alternative funding, they are faced with the bitter irony that having resisted pressure to have Ajaokuta scrapped, the World Bank will effectively hold the key to its start-up.

From whatever angle Ajaokuta is studied, its economic viability is questionable. At some point, the plant may be able to produce steel at competitive prices if production costs alone (i.e. excluding the capital cost of the plant) are taken into account.

But this also presumes that the plant will be effectively managed, a matter of some doubt evidenced by the dismissal of the management board last year. Commenting on a subsequent report by a panel of investigation, Hamman Tukor, director general at the Ministry of Mines, Power and Steel, admitted that Ajaokuta suffered "a disunited and disjointed board, an inactive plant and a catalogue of other laxities". Official criticism is rare, however, of a project to which Government appears to remain committed.

PROPERTY

On a switchback for two decades

ON EITHER side of the dual carriageway that stretches from the airport to Lagos Island are two stadia. On the left is the National Stadium, strategically placed to cause mile-long traffic jams along the main road. Without regard to present congestion, on the right-hand side Lagos stadium is being built. It is typical of a city suffering from an apparent lust for construction: the traditional setting of 19th Century Brazilian-style houses has been crushed beneath a haphazard array of glass-skyscrapers and concrete monoliths.

The Nigerian property market, whether leasing property or developing a greenfield site, has been on a switchback over the past two decades. Prices soared during the oil-boom years of the late 1970s, fell sharply as the economy slumped in the 1980s and is now picking up again. For any company either setting up or wishing to expand, securing suitable premises and staff accommodation poses formidable problems.

In the boom years, property developers benefited from a national economic policy which involved an import-licence regime and a controlled exchange rate. With 85 per cent of construction materials needing to be imported, property could be developed cheaply, while demand in the thriving oil-fed economy allowed rentals to be highly profitable.

The decade of plenty before the collapse of the oil price led many businessmen into property development and a comparatively easy path to financial success. For them, the end product has become less important than establishing the first foothold in the market.

The first step involves securing the site and building a basic structure. The finish and

The decade of plenty led many into property development

quality of the end product will often depend on how much investment and what level of sales the developer can subsequently negotiate.

As Godfrey Mitchell, managing director of Stim Nigeria Properties, puts it, "development does not mean starting and finishing, it means starting". But since the advent of the structural adjustment programme (SAP) in 1986, developers have needed to tailor themselves to the demands of a very different market.

Profits in the sector have been hit by the falling value of the naira, which has made construction costs rise, and the liquidity squeeze induced by the Central Bank in June last year. The latter has resulted in funds either not being available or, with an interest rate over 30 per cent, the cost being prohibitively high. One multinational, committed to a new head office, is conducting a rights issue in part to help raise working capital.

Those in search of property to rent, however, will not necessarily find that it is a market in their favour. In middle-market areas such as Ikeja, where telephone and road communications are generally poor, property rents are indeed low with 30,000 naira a year ample to secure a four-bedroom house. In the prime areas of Ikoyi and Victoria Island, however, quite the reverse has occurred. Rents have risen in line with the depreciating rate of exchange and the cement mixers continue to turn. In 1986 commercial property rent for a year was 25 naira a square foot, now it is 100 naira; a detached house with a then rent of 50,000 naira a year, now fetches well over 200,000 naira.

The prolific rise was prompted by the reaction of many foreign diplomats to the sudden fall of the naira. From being one of the most expensive cities in which to live, Lagos became momentarily cheap and many embassies traded-up their staff accommodation. By 1988, however, property owners in these prime locations began to demand a minimum of three years' rent in advance and at a rate commensurate with their tenants' hard-currency earnings. Many of the embassies are now pay-

A fear exists that a property bubble is waiting to burst

ing more for accommodation than during the era of exchange control.

The situation has been exacerbated by the business profile of the post-SAP economy. The financial sector is now the area of opportunity with the number of banks doubling in three years. The senior management of these enterprises demand the best residential property and that means Ikoyi or Victoria Island. In addition, with less traffic congestion and the superior telephone network of these locations, many residential houses are being taken over as offices by small businesses, while the little open land that remains is being grabbed for larger corporate premises.

There have been some conspicuous winners from this mini-boom. With his office at the top of Towry Towers in Towry Close, is Mr Larry Towry-Coker. His company, Towry-Coker Associates, are chartered architects and property developers specialising in top-grade residential and business accommodation. "I'm bullish about the future," he says "because people are getting more and more quality-conscious." His residential developments, with their manicured gardens, swimming pools and tennis courts, provide an attractive cocoon from the hectic pace of Lagos life.

Although demand is high, a fear exists that there is a property bubble waiting to burst. A block of 12 residential apartments has recently been put on the market by Mobil Oil with an asking price reputed to be more than 50 million naira, more than $500,000 a unit. With 25-year mortgages, the price would appear to be excessive. In addition, some financiers who were prime movers in the property market two years ago are now steering clear of the sector. They clearly believe property prices have gone beyond realistic levels.

The real test of the market will come in the next two years. As one developer put it, "rent increases cannot be sustained; they will either have to plateau-out or find themselves on the edge of a cliff."

William Keeling

You can depend on
Union Bank
London...

...to make your business in Europe a pleasure

Right in the heart of the City – one of the world's leading Financial centres – is UNION BANK OF NIGERIA's London Branch.
We are in London to provide expert, dependable banking services to Nigerians on their business trips to UK and Europe.

Among the expert services we provide are

- Processing and confirmation of Letters of Credit to our customers' exporters and importers worldwide.
- Expert advice on the intricate London Foreign Exchange Market, to both corporate and individual customers.
- Connecting our customers with other financial and professional bodies.
- Expert advice on insurance and investment opportunities.
- Operation of large deposit accounts for reasonable periods. Checking Accounts are also handled.

So if you are doing business (or thinking of doing business) in Britain and Europe, it would certainly be worth your while to come in for a chat with us.

You can depend on UNION BANK – we make business in Europe a pleasure.

UNION BANK OF NIGERIA LIMITED
P. O. Box 148
14/8, Copthall Avenue
London EC 2R 7BN
Telex: 8813962 UBN LDNG

UNION BANK ...Big,Strong,Reliable
Head Office: 40 Marina, Lagos. Telephone: 665439, 665441 Telex: 21222 Fax: 663822

UNION BANK
UNION BANK OF NIGERIA LIMITED

Assurance Nationwide

Royal Exchange Assurance (Nigeria) Limited

Head Office: New Africa House, 31 Marina, P.O. Box 112, Lagos, Lagos State,
Tel: 663120, 663197, 663198, 663205, 663207
Branch Offices at: LAGOS, APAPA, IKEJA, OSHODI, ABA, PORT-HARCOURT, ENUGU, BAUCHI, ONITSHA, IBADAN, BENIN, ILORIN, AKURE, KANO, KADUNA, SOKOTO, MAIDUGURI, JOS, YOLA, ABUJA.

THE LION OF AFRICA
INSURANCE COMPANY LIMITED
(Incorporated in Nigeria in 1952)

HEAD OFFICE
ST. PETER'S HOUSE,
3, AJELE STREET,
P.O. BOX 2055, LAGOS.
TEL: 600950 (6 LINES)
FAX: 636111
TLX: 23536 A/B ZAKI
ZAKI LAGOS

BRANCHES
ENUGU, IBADAN,
KADUNA, KANO
MAIDUGURI
PORT HARCOURT
YOLA

A member of the worldwide GRE group of companies

NIA

A. G. LEVENTIS & COMPANY (Nigeria) LIMITED

(INCORPORATED IN THE FEDERATION OF NIGERIA)
WEST AFRICAN MERCHANTS

CABLES:
LEVENTIS LONDON W.5
INLAND TELEGRAMS:
LEVENTIS LONDON W.5

UNITED KINGDOM PRINCIPAL BUYING OFFICE
WEST AFRICA HOUSE,
HANGER LANE,
EALING, LONDON, W.5 3QR

TELEPHONE
081-997 6651 (10 LINES)
TELEX No. 24367

It was in 1943 that the *Leventis Group commenced* trading in Nigeria. Since that time the scope and structure of the Group has changed dramatically to meet the requirements of the nation - their operations now embrace manufacturing, agriculture and food production, distribution and trading, employing over 13,000 people.

Nigerian Bottling Company, which holds the exclusive franchise for the Coca-Cola and Schweppes range of soft drinks, with 18 factories, 30 depts, and over 1,000 lorries, has the largest production and distribution network in the country.

Other Group Companies operate manufacturing facilities for the production of packaging materials. The glass packaging company - Delta Glass - produces up to 350 tons of glass per day for a wide range of consumer goods from beer and soft drinks to food products and pharmaceuticals, some of which are exported.

Bottle tops and plastics manufacture are one of the many activities of Leventis Technical Ltd., who are also suppliers of power products, computer systems and manufacturers of domestic appliances and paper products.

The automotive business began early in the Group's history and Leventis Motors today, with 15 showrooms and workshops in the main centres of the country, also operates a large bus building plant. Through its participation in Honda Manufacturing Company, it is involved in the assembly and distribution of motor-cycles. The Company is a major shareholder in industries producing automotive spare parts and automotive safety glass.

Food production is a thriving industry for the Group. Thousands of tons of grains (rice and maize) are produced and processed at its integrated project in Bendel State. In Kwara State, Valley Foods operates a livestock farm producing and processing high quality beef and pork, and the Group is participating in a new venture into canning of vegetables are grown and pre-cooked Nigerian foods.

A wide variety of fruit is also grown for local consumption as weel as for export and vegetables are grown at the Plateau Foods farm on the Jos plateau.

Agricultural Seeds, based in *Kaduna State, is the country's* largest producer of hybrid and other seeds.

The Leventis Group were pioneers in the retail distribution field and the Leventis Stores division of A.G. Leventis & Co. (Nigeria) Ltd., boasts 15 outlets - many are superstores - and over 70% of the goods sold are produced in Nigeria.

Other industries in which the Group is involved include brewing, carpet manufacture, partitioning design and manufacture.

With their continued use of local resources for the local market and for export and their policy of integration and expansion, the Leventis Group are entering the 1990's confident in the belief that Nigeria's economy will prosper.

A.G. Leventis Group
Head office: Iddo House, P.O. Box 159, Iddo, Lagos, Nigeria.
London office: West Africa House, Hanger Lane, London. W5 3QR
Tel: 01 997 6651 Telex 24367

Julian Ozanne looks at oil and gas developments after a lull

Exploration pace quickens

SEISMIC lines as straight as arrows cut across the tropical rainforests, twisting streams and salt-water mangrove swamps of the lush Niger Delta, Nigeria's oil-rich southern region.

Most of the lines have been cut by men hacking with machetes through the seemingly inaccessible mangled bush and thicket in the search for oil.

After the lull of the 1980s, the pace of exploration and development of Nigeria's oil reserves is rapidly on the upswing in response to the improved international oil climate over the past 18 months.

Within the last year better than anticipated prices for crude oil, two increases in Nigeria's quota under the Organisation of Petroleum Exporting Countries, a substantial divestment of government shares in the oil industry and significant progress on two giant projects to export liquefied natural gas and produce petrochemicals have raised hopes in the nation's oil world that the future is beginning to look a lot less bleak.

But fundamental management problems on the government side, particularly in the refinery sector, and the Nigerian National Petroleum Corporation's (NNPC) difficulty in meeting its share of operating costs and raising local and foreign investment, are still serious obstacles to long-term development.

Petroleum remains the backbone of the Nigerian economy. In spite of the increase in non-oil exports, petroleum still accounts for about 90 per cent of foreign exchange earnings and more than 75 per cent of federally collected government revenues.

In 1989 the Government's budget anticipated oil earnings of $5.36bn based on a price of $14 a barrel. In the event, prices averaged at more than $17 a barrel and, with the increased volume of sales due to quota increases, earnings are estimated at between $8bn-$9bn.

That is still a long way from the heady days of 1979-80 when oil exports of 2.4m barrels a day (bd) brought in $25bn. But it is a sign that Nigeria is able to exploit more favourable conditions in the world oil market as they appear.

Since 1986 it has been the consistent policy of the government to provide incentives to their joint-venture partners, the multinational oil companies, to continue maintenance, development and exploration to boost Nigeria's capacity and proven reserves.

The essence of that policy is enshrined in the Memorandum of Understanding. In return for a programme of investment and enhanced recovery, oil companies are guaranteed a minimum profit margin of $2 a barrel on their equity crude. The companies also agreed to lift NNPC's unsold equity crude "on notice" for a margin of $1 a barrel.

Petroleum is the economy's backbone, accounting for 90 per cent of foreign exchange earnings

"Nigeria has pursued a far-sighted, transparent petroleum policy which has continuity. It has taken measures to help operators to invest even at times when prices were low to enable the country to capitalise on an upswing," said Mr Romieu, managing director of Elf Nigeria.

When Nigeria's quota was increased from 1.355m bd at the beginning of the year to 1.428m bd in June and to 1.611m bd at the end of the year, the nation was easily capable of rising to meet the new export volumes.

Production quickly rose to meet the new quotas. Last year average production was 1.67m bd but in the last quarter of 1989 production was more than 1.8m bd. Even taking into account the 75,000 bd of condensate, which is not counted as part of Nigeria's OPEC quota, the country was producing well above quota.

"We have tried very hard to obey our quota," said Professor Jibril Aminu, the new Petroleum Resources Minister. "We have been selling, we have been refining. We have 300,000 bd dedicated for domestic use and we have entered into agreement with some companies for the storage of our oil overseas – inventory leasing – which is not part of our quota."

Whatever the truths are behind that argument, if Nigeria is to achieve its target of boosting capacity from 1.8m bd to 2.4m bd and proven reserves from 16.6bn barrels to 20bn barrels, a high level of investment will be required.

For their part the oil companies seem prepared to meet the investment challenge.

But traditionally NNPC has been an obstacle to greater investment. However, last June the Government sold off 20 per cent of its equity stake in the NNPC/Shell joint venture, reducing its shareholding from 80 per cent to 60 per cent. The three equity partners in Nigeria's $2.5bn liquefied natural gas projects were invited to bid. Shell, which operates the fields, increased its stake from 20 per cent to 30 per cent and Elf and Agip bought 5 per cent each. The divestment raised $2bn for the Government for increased investment, reduced the contributions burden on NNPC for joint-venture funding and secured the LNG partners.

In an attempt to raise revenue the Government has also floated shares in two other companies. In February, it sold 17m shares in African Petroleum (formerly BP) reducing its shareholding from 80 per cent to 40 per cent. And in May, it sold 16.8m shares in the National Oil and Chemical Marketing Company (NOLCHEM), the largest of the eight major petroleum product marketing companies. This divestment reduced the government share in NOLCHEM from 60 per cent to 40 per cent. Both share offers were massively over-subscribed.

Earlier this year, the Government also announced price increases in the heavily subsidised petroleum products marketed domestically. The two-tier petrol-pricing system which sold petrol to commercial and public transport at 42 kobo a litre and to private users at 60 kobo a litre was scrapped and the pump price unified at 60 kobo a litre. Prices for diesel, kerosene, fuel oil and Liquefied Petroleum Gas were also increased.

Downstream development in the energy industry at home and abroad remains a major priority for the Government to diversify away from sole reliance on crude oil sales. Negotiations are still going on to purchase equity in foreign refineries.

At home, a long list of major

The refinery section is perhaps the blackest cloud hanging over Nigeria's oil industry

projects in the hydrocarbon industry, centred on the development of Nigeria's huge untapped gas resources, has been drawn up by the Government for the 1990s. This includes:

- ■ A major expansion in domestic natural gas collection and distribution;
- ■ A $2.5bn project to export liquefied natural gas with joint-venture partners Shell, Elf and Agip;
- ■ A $880m project to produce 100,000 bd of condensate with Mobil Producing Nigeria from the Oso field;
- ■ A $532m expansion of the NAFCON fertiliser complex which uses natural gas as feedstock;
- ■ The $1bn development of phase II of the petrochemical industry;
- ■ Expansion of the capacity of Nigeria's refineries to produce for export.

In the domestic gas industry a realistic national pricing and development policy must be drawn up by the Government guaranteeing private companies incentives for investment.

Of the major projects, Oso, NAFCON and Petrochemicals are encountering huge problems in finding the foreign financing from export credit agencies and commercial banks, given Nigeria's record on debt repayment.

The refinery sector is perhaps the blackest cloud hanging over Nigeria's oil industry.

While the Government acknowledges the problems, it is steadfast in its refusal to consider taking on board foreign equity partners to help with the technical running of the refineries.

Another looming problem is with the so-called "New Frontier" oil exploration territories like the Lake Chad basin. Many companies producing offshore are beginning to run out of reserves and there is a shortage of new opportunities in the Niger Delta. But the costs of exploration outside the established areas and the capital investment required is too great to induce most companies to move to the "New Frontier" under the existing incentives offered by the MOU.

of the Nigeria LNG Company between the then Minister of Petroleum Resources and the top executives of NNPC, which resulted in the suspension of Mr Godwin Aret Adams, managing director of NNPC, and Mr Ejike Onyia, managing director of

Industry analysts point out that many of the successes of the Nigerian oil sector have been a result of the type of enclave status the industry has enjoyed in partnership with government.

Now that the world oil prospects are shaping up, facing the investment challenge and the need for stable and sound policy choices on the part of the Government will be critical to developing Nigeria's tremendous potential.

Refineries a top priority

Professor Jibril Aminu, the new Minister of Petroleum resources, answers questions posed by Julian Ozanne

Ozanne: Will there be any changes in Nigeria's oil policy now that you have been appointed minister?

Aminu: The policy is of the ministry not of the individual minister. There will be no change in policy. At the moment the energy sector appears to be comfortable. I am quite happy with much of the policy direction.

O: Will the Government change the package of incentives given to oil companies to achieve your stated capacity goal of 2m bd and proven reserves to 20bn barrels?

A: If one takes only the Niger Delta basin and our offshore then increasing capacity and proven reserves seems fairly achievable. Over and above that there is a need to look at new territories. The Memorandum Of Understanding guarantees them a minimum margin of $2 a barrel. That is going to remain. We have some other aspects of the memorandum that we would like to emphasise especially giving Nigeria greater operating opportunity as distinct from just having participation agreements. We want to finalise operating agreements with as many of them as we can. So the incentives remain but we need to redefine our relative positions.

O: Are you satisfied with the operation of the oil companies?

A: At the moment I have found a reasonably good working relationship but there is more they can do within the umbrella of that friendship – more on upstream and more on helping Nigeria achieve technological transfer.

O: Even from the Government's figures, Nigeria has been producing above its Opec quota. How do you explain that?

A: Our former Minister of Petroleum Resources was the president of Opec and that alone put a moral responsibility on us to obey. We have tried very hard to obey. We have been selling, we have been refining it. We have 300,000 bd dedicated for domestic use and we have also entered into agreement with some countries for the storage of our oil overseas – inventory leasing which is not counted as part of our quota.

O: As part of the Government's policy of downstream development you have negotiated to buy into foreign refineries. How is that progressing?

A: We are heavily dependent for our national budget on the oil resources and that limits the amount of money available for investing in downstream activities as much as it limits investing in upstream activities. We cannot, as some other countries have done, embark on a straightforward erection of refineries or the purchase of refineries overseas on a cash and carry basis. So we will have to enter into negotiations and take an interest in some refineries according to the agreement we work out with them.

Whatever agreement we work out has to be in the context of the policy of our crude sales which at this moment in time is, one, the joint venture partners, two, to partners in downstream activities and, three, to indigenous explorers. It is in the second category that we are trying to carry on with the downstream activity. Ideally, Nigeria should be able on its own to develop the capacity to refine at home so we can export the products of refineries.

O: Last year there were terrible problems with Nigeria's four refineries. How do you plan to solve this?

A: There are many problems, some of them are fundamental but many we could attend to. A lot of the time it is the usual problem of maintenance culture in a developing nation and the need to embark on preventive maintenance and to get the necessary funds in foreign exchange for that to be done. Some of the other problems have been problems of design which could be rectified. We are working very hard on the refineries and I am going to make it the priority of the ministry to start to ensure that the refineries work to full capacity.

O: Have you considered inviting foreign joint venture partners into the troubled refinery sector?

A: I don't think we are as disabled as that. We need short-term expertise to help us but I believe that Nigerians should be able to run refineries without any joint ventures.

O: The development of the gas industry has been extremely slow. How do you account for that?

A: We should take a significant leap in gas by the end of the century, otherwise our environment will be endangered and the amount of gas we will be wasting will be more than it is now. The delays are the result of a number of factors. First, instability in policy. We could have had [a gas industry] long before 1979 but it is only now and we hope that phase of our national life is over. The other aspect is the investment and the amount of money involved.

Nigeria is not in the happy position of some other countries which can take a large fraction of oil earnings to invest. We need [oil revenues] for our national budget and therefore we have to find some other means either by saving, or by dedication or by loan to do it.

We have worked out a package of incentives which is before the Council of Ministers which will encourage the exploration for gas, the harnessing of gas and working out the tax holidays and tax relief to be given to the distribution sector up to the city gate and from the city gate to the home.

O: Gas experts say the biggest problem is with Nigeria's anarchic pricing policy. Do you agree?

A: I think the problem is the pattern of subsidy policy which will have to be rationalised. I think the pattern of subsidy for fuel nationally has got to be rationalised and who will bear the burden of the subsidy.

O: A number of large projects have been held up because of difficulties raising foreign financing. What is the government doing about this?

A: Petrochemicals has advanced with the Japanese government. The delay was in getting a security package which will be acceptable to the Japanese to enable them to give the credit guarantee. We have not signed an agreement but the financing for that is much brighter now.

As for the Oso project, really its a simple matter. The problem is that some of the conditions that are being demanded of us are not likely to be palatable to Nigerians – if, for example, we have to make a special law in order to take a loan.

The feasibility studies are such that some of these terms should not be demanded of us. But we have not foreclosed any chance of an agreement.

O: How is the commercialisation process in NNPC going?

A: The implementation committee is working now and has not finished its job. I think the process will show in the performance of the subsidiaries being set up as companies in their own right – companies which will do well and balance at the end of the year and bring revenue to government. If any organisation is likely to succeed it will be this organisation.

O: The recent suspension of senior NNPC managers has caused some political turmoil. How has it affected NNPC?

A: Every organisation as a sign of being alive goes through turmoil once in a while. But it has not stopped the organisation functioning.

This notice appears as a matter of record only

ALEX
ALUMINIUM EXTRUSION INDUSTRIES LIMITED

PRIVATISATION
FINANCIAL RESTRUCTURING AND DEBT TO EQUITY CONVERSION.

₦5,250,000
(EQUITY PRIVATE PLACEMENT)

₦4,500,000
(PUBLIC SALE OF EQUITY)

Icon acted as Financial advisers to the Imo State Government and Aluminium Extrusion Industries Limited
January 1988

ICON LIMITED (Merchant Bankers)

Developing Nigeria's Non-Oil Export Sector

ICON LIMITED (Merchant Bankers)

Nigeria's development can best be enhanced through innovative merchant banking.

In Nigeria, ICON leads the way in enhancing development through innovative merchant banking. Since inception, ICON has been associated with many innovative merchant banking services to many notable Clients building a solid portfolio of Nigeria's foremost corporate names.

Today we are actively engaged in privatisation and debt to equity conversion as well as setting the pace for non-oil export.

BANKING SERVICES
- Management and Syndication of loans;
- Undertaking of equipment leasing activities;
- Handling of letter of credit, documentary and clean collection, remittances and issuance of guarantees and acceptances.

CORPORATE FINANCE SERVICES
- Providing investment advice and services including management of public and private investment portfolio.
- Management of issues of debt and equity securities;
- Advice on joint ventures, mergers and acquisitions
- Treasury (Funds and Financial Services).
- Export Finance
- Trustee Services.

ICON LIMITED (Merchant Bankers)
PIONEERING THE CHALLENGE OF MERCHANT BANKING IN NIGERIA
N.I.D.B. House, 63/71 Broad Street, P. M. B. 12689, Lagos. Tel: 661812, 660103, 662607, 600170/73
Telex: 21437, 21166, 22430, 22431. Cable: ICONBANK. Branches: Kano, Kaduna, Calabar, Abuja, Benin.

CTBA

Lever Brothers Nigeria Limited -making world-renowned brands a must in every home

When it comes to enhancing the quality of life of Nigerians with first class brands, the name that instantly comes to mind is Lever Brothers Nigeria Limited.

In nearly every Nigerian home, brands from the wide range of LBN products are used daily.

The ever growing number of successful brands the company makes, includes such internationally renowned names as Omo, Surf, Lux, Sunlight, Close-Up, Vaseline, Lipton, Blue Band, Tree Top among others.

Lever Brothers Nigeria Limited has been dedicated to the production of such top quality brands for Nigerians for over 60 years – time enough to earn the distinction of being the market leader.

LBN

Lever Brothers Nigeria Limited
A must in every home

The bulk of gas produced has been a by-product of oil exploration

Wasted reserves of energy

IT MAY sound an unlikely vision but if President Ibrahim Babangida has his way, the battered, rusty, decaying antique Peugeots and Toyotas which clog up the three-lane congested flyovers of Lagos may soon be replaced by futuristic locally designed natural-gas driven cars.

Few industry analysts put much faith in the project but the President's announcement of the pilot scheme in this year's budget address was a powerful symbol of the creative thinking at the top levels of government about ways to develop the nation's fledgling gas industry and find a viable power alternative to oil.

With crude oil reserves due to run out within the next 40 years, the development of a massive domestic and export-orientated gas industry is now being touted as the basis for Nigeria's long-term economic well-being.

"The policy direction on gas in the 1990s is aimed at increasing its potential not only as a foreign exchange earner, but also as an alternative source of energy and a catalyst to enhanced industrial productivity," President Babangida said.

It is often said that Nigeria is a gas country in which there is oil. Huge reserves, estimated by experts at roughly 2.6 trillion (million million) cubic metres, lie hidden beneath the surface, mostly onshore in the Niger Delta.

But so far there has been no active exploration for gas. The bulk of gas produced has been associated gas, a by-product of oil exploration.

In 1988, of the more than 20.7bn cubic metres of gas brought to the surface, only 28 per cent was utilised. The rest was flared as uncollected associated gas at oil-field wellheads due to the inadequate demand, the prohibitive costs of infrastructure for utilisation or re-injection and the low penalties imposed on oil companies for flaring. Only one oil company, the Nigerian Agip Oil Company, has been induced to invest in a re-injection facility; the other companies find it more cost-effective to pay the penalties and flare the gas.

That tremendous squandering of such a vital source of energy — representing as much as half the nation's energy needs — is now becoming a number one government priority, especially with the mounting environmental problems caused by the stripping of Nigeria's forests as a cheap source of fuel. It is estimated that fuelwood provides between 60-70 per cent of the nation's energy needs.

The National Nigerian Petroleum Corporation's (NNPC) export hopes are pinned on three mega-projects to develop liquefied natural gas, condensate and petro-chemicals using gas feedstock. But at a total cost of more than $4bn finding foreign financing for these projects is meeting serious difficulties.

On the domestic front a major landmark was reached last year with the commissioning of the $70m Otorogu gas plant operated by Shell Petroleum Development Company of Nigeria Ltd.

The plant, which has an installed capacity of 270m cubic feet/day, was delayed pending the completion of the 380km Escravos-Lagos Pipeline (ELP) to deliver gas to the National Electric Power Authority's (NEPA) Egbin Power Station in Lagos.

Other aspects of the government's drive towards domestic gas utilisation include:

- The commercialisation of natural gas liquids for export and local markets;
- The establishment of gas utility companies for effective gas distribution to industrial and residential consumers;
- The installation of compressed natural gas plants, conversion workshops and filling stations to commercialise the use of compressed natural gas (cng) as automotive fuel;
- The expansion and development of industrial projects using gas feedstocks like the National Fertiliser Company of Nigeria and the Ajaokuta Steel Complex.

With natural gas as a cheap, clean and competitive source of energy the Government hopes that domestic industries can be lured to gas because of the anticipated savings on fuel bills, which will free more crude oil for export. But so far this has not materialised.

When the ELP was opened, with an ultimate capacity of 1,200m cubic feet, industries within 50km of the pipeline were targeted for conversion to gas. But shortage of funds for infrastructure investment by the NNPC and the lack of a national gas pricing and development policy have delayed these plans.

The price of gas sold domestically in Nigeria is determined by the Government. For years gas prices fell way below market prices as the Government tried to keep the cost of electricity down. Private investors shied away from developing domestic gas until the incentives got better.

"The exploitation of gas has been slow and frustrating. There have been plans to bring gas into industry for 25 years but there was no commercial and economic basis on which a private individual person could make the investment," said Mr Brian Lavers, managing director of Shell. "The price paid to us is absolutely derisory to the point that our gas business hasn't covered our costs and it has had to be subsidised by our oil business."

After much pushing by the NNPC, which was selling gas at a loss, last April the Government agreed to a price rise of 269 per cent from N1.52 to N5.24 per thousand cubic feet. But many companies, especially state-owned corporations like NEPA, which consumes 80 per cent of the gas marketed in Nigeria, and Nafcon, have not obeyed the new price.

A new comprehensive gas development policy is before the Council of Ministers. Pricing policy and incentives offered companies for investment in gas production and distribution will be the key issues to be resolved if Nigeria's huge latent gas potential is to be harnessed.

Julian Ozanne

Ashley Ashwood

Oil and gas separator: some say Nigeria is a gas country in which there is oil

LIQUEFIED NATURAL GAS PROJECT

Giant hydrocarbon scheme on target

IN THE sandy square at Finima, a tiny coastal fishing village in the lush green equatorial Niger Delta, market women with bowls of fruit and cassava trade their produce under shady palm trees as they have done for years.

Soon, as the blazing heat of the afternoon builds up, the men will return in their dugout canoes from the surrounding rivers and creeks with nets full of fish.

Soon a community of 3,000 will be relocated to make way for the $2.5bn project

Nothing much has changed here for decades but soon this whole community of 3,000 will be relocated to a new red brick and green corrugated-iron town to make way for Africa's biggest hydrocarbon project.

The $2.5bn Liquefied Natural Gas (LNG) project, Nigeria's long-delayed mega-scheme to harness its massively under-utilised gas resources and diversify its export base, is making steady progress to the landmark date of June 1991 when the final investment decision will be made and the main construction contract awarded.

Half a mile away from Finima, near Shell's Bonny terminal on the Atlantic Ocean, bulldozers are preloading the site for the tank pads of the two train gas liquefaction plants which, when built, will supply 4.2m tonnes of gas a year for sale to Europe and the US starting from January 1995.

Although the site preparation is not a major investment it is a continuing demonstration of the commitment of the LNG partners to a project they estimate will cost $200m before the June 1991 date.

Last May, that commitment was formalised when a joint venture agreement was signed to set up an incorporated company as a subsidiary of the Nigerian National Petroleum Corporation (NNPC) called Nigeria LNG Limited. The company is owned by NNPC (60 per cent), Shell Gas (20 per cent), Elf (10 per cent) and Agip (10 per cent).

The company will be responsible for securing gas supplies, building and operating the plant, marketing and shipping of the gas.

Agreements to supply 20m cubic meters of gas a day from onshore concession areas have already been signed in principle with the shareholders' upstream joint venture production companies NNPC/Shell, NNPC/Elf and NNPC/Agip/Phillips.

Options on five LNG carriers, with capacities of between 122,000 and 133,000 cubic meters were secured by Shell in 1987/88 and dedicated to the project. At a cost of $200m, approximately the same cost as building a new LNG vessel, the deal has provided a significant financial boost to the project.

Two of these vessels owned by Zenith Gas were purchased earlier this year by Nigerian LNG Ltd and will enter commercial service on a time charter basis until the LNG project comes on stream.

In the company's brochure former Minister for Petroleum Resources Dr Rilwanu Lukman says the Government granted a special status to the company "to ensure it operates like any other autonomous joint venture anywhere in the world".

As part of a package of fiscal incentives provided by the Government, investors will be granted a 10-year tax-free holiday and will be able to operate offshore bank accounts to reassure lenders that debts will be serviced promptly and regularly. The Government has also established an escrow account to receive income from sales of crude oil sufficient to meet its share of the total equity.

The most important challenge facing the company is securing guranteed markets

A further step was taken last November with the award of a $13m project plan specification contract to Technip SA of France and MW Kellogg of the US. Not surprisingly the LNG partners are optimistic about the project. "I am very confident that the LNG will succeed and we will have the first LNG exports by January 1995 if not before. That is not to say there aren't tremendous challenges to be overcome along the way," said Mr Brian Lavers, managing director of the Shell Petroleum Development Company of Nigeria which is the technical adviser to the project.

Analysts believe the competitiveness of the market may have been underestimated

But those challenges are significant. The first and most important is securing guaranteed markets. Negotiations are under way between Nigerian LNG Ltd and buyers in the US and Europe for 20-year sales contracts. Two US companies, Cove Point Trading of Maryland and Distrigas of Boston, are expected to take 40-45 per cent of the gas.

The remainder will be shared among several European companies who have expressed an interest, including Tyssengas (West Germany), Gas de France, SNAM (Italy), Ruhrgas (West Germany), and Enagas (Spain).

The project partners hope the contracts will be signed by June this year. Tough negotiations are said to be going on over price and, according to one industry analyst, they may have underestimated the competitiveness of the market.

Once sales contracts are finalised the project will have to face the second significant challenge of finding financing. According to Mr Lavers between 60 and 70 per cent of the project costs will be met by loan finance from export credit agencies, the World Bank and commercial banks. Given the financing problems faced by Nigeria's other high profile projects, that may not be as easy as the LNG company is predicting.

Julian Ozanne

CROWN

SPEED and EFFICIENCY

The hallmark of Crown Merchant Bank

In the competitive world of International Business, you need a bank that is fast and efficient to meet your business and financing needs. Our unique approach to customers' business and financing requirements has added a whole new dimension to International Banking and Finance in Nigeria.

Whatever your requirements are, talk to Crown — for Information on business opportunities, International Money Transfers, Import and Export Financing, Letters of Credit, Consortium Lending and Consultancy Services — you will find our services fast and efficient.

CROWN

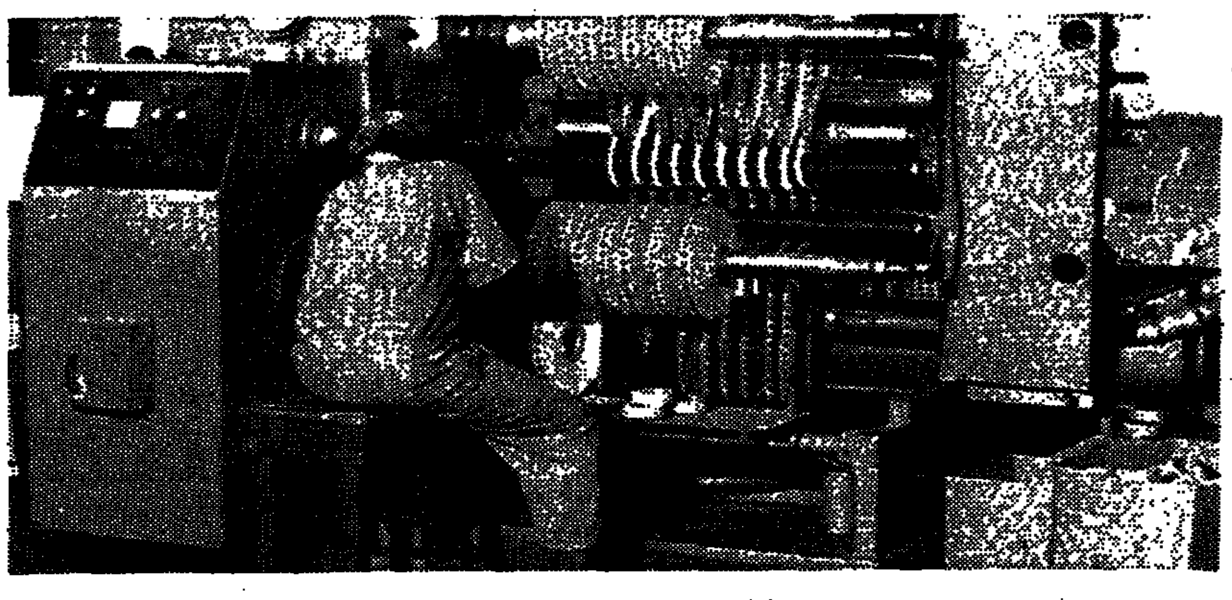
CROWN MERCHANT BANK LIMITED

–a different dimension in banking.

Crown Merchant Bank Limited, Idowu Taylor Street, P. O. Box 72803, Victoria Island, Lagos, Nigeria. Telex: 22831. Telephone: 610803, 610842, 613728 & 619759. Fax: 615545.

UAC

Meeting the Nigerian challenge



Nigeria, like so many other countries, is going through a tough economic period; a situation that requires creative and innovative management.

Various measures are already in place to turn the economy round in keeping with the exigencies of the times. For instance, emphasis is now placed on local sourcing of raw materials, exports, higher productivity through privatisation and on self reliance in Agriculture and Industry.

And UAC, Nigeria's leading industrial, commercial, technical, and agro-based organisation, is naturally in the forefront of the economic recovery campaign. UAC has gone into large scale Agriculture and has consolidated its leadership position in the manufacturing sector. Greater emphasis is given to local sourcing of raw materials and export is being given greater attention.

UAC is an example of the successful blend of Nigerian investment and international participation. UAC of Nigeria Limited with the support of its technical partner, Unilever PLC, has over the last 100 years been contributing to the development of Nigeria. UAC pioneered Nigeria's industrialisation programme and has ever since maintained its leadership position.

The company's particle board and timber processing as well as packaging factories are the largest in Africa.

This is in addition to running the most modern toiletries factory in the continent. Our food processing factories have satisfied the requirements of many homes.

UAC through its Federated Motor Industries has given a boost to the mass transit programme. UAC has an excellent reputation for her high quality textiles. The company's earth-moving caterpiller equipment have given support to the nation's agriculture and construction industries. The electronic and airconditioner business of the company service many homes and offices.

In spite of the current difficulties, Nigeria does have an important incentive though. Given the new concerted effort to turn the economy round, the good times seem not too far off.

– Always meeting the challenges of the times.

NATIONAL FERTILISER COMPANY OF NIGERIA

Fruitful jungle enterprise

FROM the air the evergreen, dense jungle suddenly gives way and in a clearing a sparkling, silver high-tech complex shoots up glimmering in the afternoon sunshine.

The National Fertiliser Company of Nigeria Ltd (Nafcon), the first large and modern nitrogenous fertiliser plant in black Africa, has been an unparallelled success in the development of Nigerian gas-based industries in collaboration with foreign joint-venture partners.

Since it came onstream two years ago Nafcon has achieved a unique synthesis of some of the nation's most pressing goals: finding productive uses for the abundant supply of natural gas, much of which is being flared; supporting the country's underdeveloped agriculture; saving foreign exchange through import substitution; and diversifying Nigeria's export base.

At full capacity the plant can produce 1,000 metric tonnes of premium quality ammonia, 1,500 metric tonnes of high analysis, low acidity granular urea and 1,000 metric tonnes of NPK (nitrogen, phosphorous, potassium) mixed fertiliser blends each day. But according to Dr Chijoke Waboso, manager of Corporate Planning and Analysis, last year the complex worked at 106 per cent of its accepted capacity, scoring the highest onstream factor of any ammonia plant in the world.

Nafcon's management believe much of that success has been in the commercial environment provided to the company by the government.

"I expect this project to be run as a commercial venture. To demonstrate our credibility, the management must continue to ensure the prompt repayment of the loans granted for this project," President Ibrahim Babangida said at the plant's commissioning in 1988. That saying now hangs in a wooden framed plaque in the company's boardroom.

As part of that commercial environment the company has been allowed to export 30-35 per cent of its fertiliser to the US and Europe and hold the proceeds in offshore accounts to finance the purchase of imported materials, machinery, spare parts and to pay for the management contract with MW Kellogg (US). Nafcon has never had to purchase dollars from the government-run foreign exchange market.

The original $700m complex was built by a consortium led by MW Kellogg, which included Kawasaki Heavy Industries (Japan), Marubeni Corporation (Japan), Jacobs Engineering (US) and Nissho-Iwai. It was financed in part by equity contributions and in part by export credit loans from the US and Japan. MW Kellogg, which put up $42m as its equity contribution, was responsible for engineering, procurement and construction and, as technical partner, was also initially responsible for personnel training, plant operations, maintenance and product marketing.

The company hopes to expand the complex by constructing a replica of the ammonia and urea plants at a cost of $532m with the same construction consortium and offshore financing. Phase II will go towards meeting estimated local fertiliser consumption of 1.5m metric tonnes in 1990. It will also provide increased scope for exports and foreign exchange earnings.

But, as with Nigeria's other high profile projects, the scheme has run into difficulties due to Nigeria's external debt position. The company was hoping for a breakthrough with the Export-Import Bank of US during President Babangida's visit to the US in January, but the trip was postponed. Despite these difficulties Dr Waboso is confident that Nafcon will break ground for Phase II before 1991.

The only other problem facing the company is with its supplies of gas. Natural gas accounts for 85 per cent of Nafcon's raw materials. Ammonia, the base feedstock for all other fertilisers, is principally a natural-gas produced product. The Nigerian National Petroleum Corporation supplies 45m standard cubic feet of gas a day delivered to the plant through a 14km pipeline from the Alakiri gas field owned by the Shell Petroleum Company of Nigeria.

For years there has been no national gas pricing policy and Nafcon has counted on ridiculously inexpensive natural gas. It pays N1.34 per million standard cubic feet (mscf).

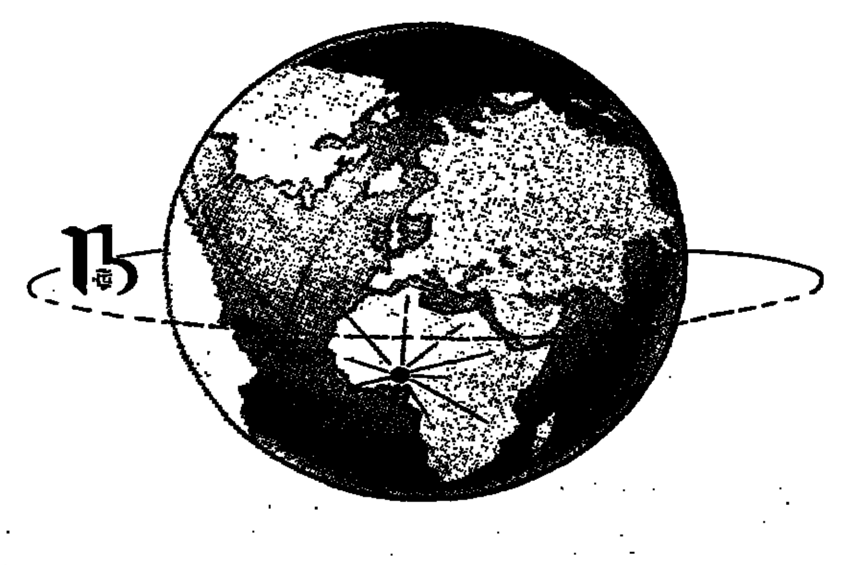
But last year the government announced a massive price hike to N5.24 per mscf. Nafcon is locked into negotiation with NNPC over the price but is still paying at the old rate of N1.34. The company says the new price is too high and will adversely affect its profitability. NNPC and Shell point out that even at N5.24 natural gas is extremely cheap and that unless companies like Nafcon pay realistic and equitable prices, there will be no incentive to develop the tremendous potential of domestic gas.

With the Government committed to the expansion of gas-based industries, such as the Ajaokuta Steel Complex, such arguments will have to be resolved on a commercial basis acceptable to all parties. The national gas policy before the Council of Ministers is intended to do exactly that.

Julian Ozanne

Fertiliser demonstration: the new high-tech plant has been a success in supporting the underdeveloped agriculture

Global Banking



"As the world's financial markets are becoming increasingly integrated, the financial institutions of different countries are developing interdependent relations through competition and co-operation."

Against this background, Industrial Bank Limited (Merchant Bankers) is entering the changing world of financial and investment markets "where those who wish to invest money and those who wish to raise it can come together ... where the money flow can have no boundaries, no constraints ..."

For detailed information on INDUSTRIAL BANK's range of products and services, please contact:

INDUSTRIAL BANK LIMITED
(Merchant Bankers)
Industrial Bank House,
Plot 1637, Adetokunbo Ademola Street,
Victoria Island,
P.M.B. 12637, Marina, Lagos.
Tel: 610972, 618841, 619332, 619867
Fax: 619024
Telex: 22005, 22009 INBANK NG.

Industrial Bank Ltd.
(Merchant Bankers)
OFFERING GLOBAL FINANCIAL AND INVESTMENT SERVICES

CT & A

PETROCHEMICALS

Ambitious attempt at diversification

NIGERIA'S most ambitious and risky project in the oil and gas sector, the development of a three-phase petrochemical industry, is facing a series of tough challenges.

The scheme, which has been declared the number one Government priority in the drive to diversify the hydrocarbon industry, aims to harness the country's under-utilised oil and gas reserves to provide a steady flow of petrochemical products to Nigeria's domestic industries. Long delays in the import of petrochemicals and the lack of a regular supply of foreign currency in recent years has severely constrained the nation's domestic producers of detergents, batteries, solvents, paints, plastics and tyres.

Massive investment in the petrochemical sector was also designed to soak up the potential excess capacity in the nation's refineries and provide additional foreign exchange earnings from exports.

However, technical and managerial problems in the refineries, which provide the feedstock for the three petrochemical plants constructed under phase I have severely strangled production. And phase II, to be built at Eleme near Port Harcourt, has been delayed due to the reluctance of foreign financiers to back the project, although according to Dr Thomas John, Head of the Eleme Petrochemical Company, a subsidiary of the Nigerian National Petroleum Corporation, an agreement was reached in principle with Japanese backers for the bulk of the financing during a visit earlier this year to Japan by Professor Jibril Aminu, the new *Minister of Petroleum* Resources.

Phase I of the long-term project went into production two years ago consisting of the Ekpan carbon black and polypropylene plants near the Warri refinery and a linear alkyl benzene (LAB) plant near the Kaduna refinery.

All three plants have been operating substantially below capacity with some industry analysts estimating output as low as 20 per cent of optimum production.

The Kaduna petrochemical plant has an installed capacity of 35,000 metric tonnes (mt) a year of LAB for use in the manufacture of detergents; 2,700mt a year of heavy alkylates for the production of lubricating oils, greases and thermal fluids and 38,000mt a year of deparaffinated kero solvent for metal cleaning and shoe, floor and furniture polish. According to one industry expert in the first year of production the plant operated at a capacity utilisation rate of 10.6 per cent for LAB, 8 per cent for heavy alkylate and 6.8 per cent for solvent. And last year the Kaduna Refinery, which provides the kerosene and napta feedstocks, had to be shut down for two months for maintenance.

Similar problems have dogged the petrochemical complex at the Warri Refinery. The carbon black plant was designed to produce 18,000mt a year for use in the tyre, battery and printing ink industries. The polypropylene plant had an installed capacity of 35,000mt for the packaging and household product industries. Both plants have been closed down for several months over *the last two years due to* consistent problems with the Warri Refinery's fluid catalytic cracking unit and the outbreak of fires.

The net effect of these setbacks has so far been to deny Nigeria's domestic users of petrochemicals, such as Dunlop and Lever Brothers, a consistent source of raw materials at competitive prices with the additional advantage of paying in Naira.

The scheme aims to harness the oil and gas reserves and provide products to domestic industries

With such a chequered history in Nigeria's petrochemical *drive it might be surprising* that the Government is so eagerly pressing ahead with the $1bn complex at Eleme. But Dr John is adamant that the project, backed by a Stanford Research Institute feasibility study and by the World Bank, is bankable and will avoid many of the problems being encountered in phase I by having its own dedicated gas-based feedstock provided by an NNPC/Agip/Philips joint-venture upstream partner.

The four-plant Eleme complex will produce 260,000 tonnes of ethylene, 250,000 tonnes of linear low and high density polyethylenes, 80,000 tonnes of homo and co-polymer resins and 20,000 tonnes of butane annually. About 60 per cent of planned output will be absorbed on the local market and the rest will be exported until local demand rises to meet capacity.

Letters of intent were issued in 1988 to several contractors including Kobe Steel and Chiyoda of Japan, Spie Batignolles *of France and Technimont of* Italy. Long negotiations over the financing package and attempts to interest joint venture partners have delayed construction by more than *nine months* so far. But Dr John says a deal with the Ex-Im bank of Japan and a Japanese consortium made up of six trading houses, Marubeni, C Itoh, Mitsubishi, Mitsui, Sumitomo and Nisho Iwai, and backed by insurance cover by the Japanese Ministry of Trade and Industry has now been agreed in principle and will be signed within the next few months. The loan is believed to be in the region of $750m.

If such a financing package is concluded the rest of the finance should fall into place. Finding joint venture partners will also prove a major challenge given the risks of the petrochemical business, especially in the face of the looming Saudi onslaught. But Dr John is hopeful that one or more of the Japanese contractors will come on board and that a *debt-equity swap with a commercial* bank, like Standard Chartered, could also be arranged.

Julian Ozanne

DOING BUSINESS IN LAGOS?

Representative office service, Telex, Telephone, Fax, Word processing, Laser printing, Photocopying, Binding, Stationery and office supplies; General Business Services.

Use the largest Business Centre network in Nigeria! -

Automated Business Centre

* 112, Norman Williams Street, Ikoyi, Lagos. Tel: 680996,
* Management House, 22 Idowu Taylor Street, Victoria Island, Lagos. Fax: 685409
* 62/66 Broad Street, Lagos. Tel: 637227

IBTC

INVESTMENT BANKING & TRUST COMPANY LIMITED
provides a range of Specialist Banking Products, including

1 For the Confident Corporate Treasurer
Fixed and Floating Rate Commercial Paper and Bankers Acceptances
International Debt Management and Trading: Bid and offer rates for Promissory Notes and other International debt instruments; and Debt Conversion
Foreign Exchange Trading: Spot, Forward and Option Contracts; and Hedging Techniques
Corporate Restructuring and Advisory Services

2 For the Astute Institutional Investor
Sales and Trading of: Treasury Bills and Certificates; Corporate Money Market Securities; and Selected Debt and Equity Instruments

3 For the Discerning High-Networth Individual
Domiciliary Accounts
Private Banking Facilities

In addition, at IBTC, we offer the full range of merchant banking services including: Documentary Credits; Equipment Leasing; Export Finance; and Advising on Mergers & Acquisitions

IBTC

INVESTMENT BANKING & TRUST COMPANY LIMITED
Wesley House,
21/22 Marina, P.M.B. 12557, Lagos.
Telephone: 600200-9 (10 lines) 637084
Telex: 23169, 22065 IBTC NG.
Fax: 634146.

Correspondent banks in all major international financial centres.

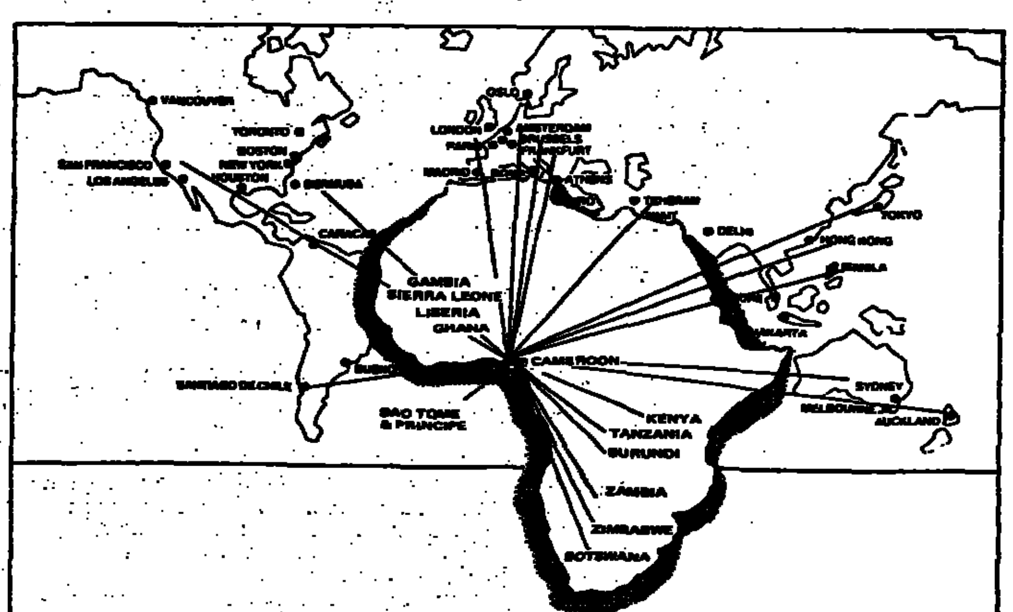
Kapital
merchant bank ltd.

Proficient banking services

- Documentary Credits
- Export Finance
- Debt/Equity Issues
- Swaps
- Foreign Exchange
- Treasury/Money Market
- New Ventures

Kapital merchant bank ltd. – the heart of enterprise

Head Office: 21/22 Marina, Lagos. P.O. Box 54602, Ikoyi.
Tel: (2341) 600790 - 9, Telex: 22068.
Fax: (2341) 631251.



MERIDIEN EQUITY BANK
Connecting Nigeria with the world.

Meridien Equity Bank of Nigeria, through its associate Meridien International Bank connects you to a highly effective network based on a presence in 40 countries worldwide.

The combination of this expertise and wealth of experience puts a whole range of International Banking and Related Services at your disposal. A range that includes Import and Export Finance, Short and Medium Term Loans, Project Development, Equipment Leasing and Cash Management Services.

So come and discuss your business proposals and take advantage of our collective experience and innovative services.

MERIDIEN EQUITY BANK OF NIGERIA LIMITED
An Affiliate of Meridien International Bank Ltd
Kingsway House, 107/113 Broad Street, P.M.B. 12863 Lagos, Nigeria. Tel: 01-665142, 666183.

مكتبة الأهرام

Nicholas Woodsworth reviews the agricultural scene

Top priority for expenditure

AGRICULTURE, a sector that employs well over half Nigeria's population, continues to be a major beneficiary of four-year-old structural adjustment efforts. Government administrators and commodities speculators may have still to find an efficient and stable role within the sector; but farmers themselves, once provided with *free-market* incentives, have proved willing to play their part in a major national objective: food self-sufficiency for Nigeria.

Significantly increased food production and a revived commodity export market are the result of three policy initiatives taken in 1986.

■ *Naira* devaluation and the establishment of a more realistic exchange rate have promoted commodity exports and discouraged cheap food imports;

■ The abolition of inefficient state-run commodity marketing boards and the de-control of agricultural pricing have provided strong financial incentives to farmers of staple crops; and

■ The imposition of an import ban on wheat, maize and barley have encouraged the growing of local grains and local sourcing for processing industries.

The establishment of liberal, free-market conditions have not been the only changes in agricultural policy under the present administration. While paying *lip-service* to agriculture with such programmes as "Operation Feed the Nation" and the Nigerian "Green Revolution", previous regimes did *little* to support agricultural development – they relied instead on cheap food imports paid for with oil-boom dollars.

With reduced oil profits and higher import costs related to continuing naira devaluation, however, the Government has become politically and financially committed to the state support of agricultural development programmes.

In his January 1990 budget speech President Babangida identified agriculture as the government's top priority: accordingly, fully 28 per cent of the federal budget is devoted to the agricultural sector. Over the next three years federal expenditure will include N1.2bn for the Ministry of Agriculture, N8bn for fertiliser procurement, and nearly N1bn for the Directorate of Food, Roads and Rural Infrastructure (DFRRI), the government's main instrument of agricultural development.

Ever larger allocations to agriculture in recent years are partly in response to the inflationary effects of structural adjustment. While rural food production has increased significantly, so have urban consumer prices.

Spiralling food costs which jumped 100 per cent in the first six months of 1989 were largely responsible for serious riots last May. In his budget speech the President stressed the need to protect the poor, and said that DFRRI will concentrate on *programmes for the benefit of* low- and middle-income Nigerians.

Increased allocations, however, have proved not to be guarantees of improved state administrative performance. Chronic inefficiencies in the Ministry of Agriculture resulted this year in its former functions in rural development and water management being transferred to DFRRI and a newly-created Ministry of Water Resources. After more than a decade of disastrous performance, the government has decided to wind down operations of its River Basin Authorities. DFRRI performance remains open to criticism.

The achievements of the country's state-run Agricultural Development Programmes (ADPs) are also now increasingly open to question. The World Bank, currently funding Nigerian agriculture with more than $1bn – half its total sectoral lending to the country – now admits serious shortcomings in the Bank-funded ADPs; projects, says a recent Bank study, have been initiated without capacity research, planning, implementation, or maintenance.

A number of state ADPs have already ceased operation, and Bank officials in Lagos say future funding of those remaining will depend on performance.

While the Government remains committed to liberalisation policies, a number of issues remain the subject of contention between it and Nigeria's international donors. *These include:*

■ A ban on wheat imports. Donors argue that large-scale smuggling has made the ban ineffective and that the cost of domestically-grown wheat has meant urban consumers cannot afford bread. Much more sensible, they suggest, would be the importation of wheat under a suitable tariff regime.

■ Fertiliser subsidies. Black-market operations by middlemen and smugglers, say donors, results in farmers failing to receive the benefits of an 80 per cent government subsidy on domestic and imported fertiliser. Pressure for subsidy removals prompted government to promise last year to privatise distribution. But *fears* that more expensive fertiliser would lead to steep *drops in crop production* caused the privatisation programme to be delayed. The Government says it will now reduce the subsidy from 80 per cent to 50 per cent, and most observers believe a gradual phase-out is likely.

■ Strategic grain reserves. Donors argue that government plans for the construction of silos for strategic storage purposes are economically unviable; they maintain that improved private storage of grains would reduce *current* annual harvest losses of up to 30 per cent, and that grain imports in times of shortage would be more cost effective. Government, however, is proceeding with construction plans.

■ A cocoa bean export ban. After three years of rising commodity export prices for cocoa, rubber and palm oil, the Government in January announced a 1991 ban on cocoa bean and palm kernel exports. Intended to promote local processing discouraged by the high price of market speculation, the cocoa ban, like other bans, has been criticised as economically unviable. Most observers believe the Government will eventually be forced to rescind it.

While Nigeria's population of about 120m continues to grow at the rate of 3.4 per cent, constraints to food production remain. They include environmental degradation, lack of appropriate research, a shortage of technical skills, insufficient storage facilities and, most serious of all, inadequate *training facilities for the transfer* of new methods and technologies to Nigeria's peasant farmers.

None the less, most sector *analysts believe* that if present government policies, including price liberalisation, encouragement of local processing, environmental considerations and continuing devaluation are maintained, there will be sustainable agricultural growth in five to eight years.

Advances will continue to accrue not so much from state-run programmes but from incentives offered to private farmers, technical advances disseminated from commercial farms and greater value-added in local processing industries.

To a large extent, the future of Nigerian agriculture *depends on the maintenance of* present policies following the planned return to civilian rule in 1992.

Ashley Ashwood

Fruitful work: agriculture absorbs 28 per cent of the budget

COCOA

Tougher times looming

Above: scooping out beans from cocoa pods (right). The industry has taken a tumble.

AFTER three years of unprecedented growth and optimism, the Nigerian cocoa industry has taken an abrupt tumble. Hard on the heels of a crash in domestic producer *prices*, the Government has announced a total ban on the export of cocoa beans from 1991. Unless there is some reversal of that policy and a stabilisation of producer prices, analysts say, the cocoa industry may head into rapid decline.

Since 1986, the year when the Babangida administration abolished Nigeria's inefficient state-run commodities marketing boards, cocoa has been regarded as *one of the greatest* beneficiaries of structural adjustment policies.

Liberated from a system of artificially low, fixed prices, the cocoa production and export industry – the largest earner of foreign exchange after oil – became one of the most promising sectors of the Nigerian economy.

But if cocoa has been seen as a gauge of the successes of adjustment, it has also exposed some of its pitfalls – more than any other commodity, cocoa has increasingly functioned as a speculative instrument for the exploitation of an unstable naira.

Before the abolition of the marketing boards, farmers, paid N1,600 a tonne of cocoa and had little incentive to increase production or invest in the planting of new trees. But with naira devaluation and new price liberalisation policies, traders in 1987 could afford to offer cocoa farmers N4,000 a tonne and still come away with a N2,000 profit. The only disadvantage of the new incentives was a rapid fall in the quality of cocoa exported. Before 1986 Nigerian cocoa was sold at terminal markets in London – still its major destination – at a premium; today all Nigerian cocoa is sold at discount.

Following the 1986-87 season, as the naira continued to devalue from N4 through to N10 to the pound, not only established traders but previously uninvolved businessmen and speculators found it more and more profitable to become involved in cocoa trading. As profit margins increased, so did competition to buy cocoa. With world prices holding at £1,100 to £1,200 a tonne through the 1987-88 season, traders were able to increase farmgate payments and still realise profits.

With falls in world market prices in the 1988-89 season, much of this trading, however, became unhealthy; as devaluation continued and trading demand for cocoa increased, speculators began selling cocoa below cost price as a means of converting naira to dollars. Foreign exchange profit thus earned was used in two ways. It was retained illegally in accounts overseas; alternatively, in the system known as "round-tripping", it was repatriated to be exchanged on parallel markets for more than twice its official value, and then reinvested in further export purchases.

So profitable was the purchase of cocoa, and so sought after did it become, that in the seven weeks following August 1988 the Nigerian price soared from N8,000 to N18,000 a tonne. By the end of the 1988-89 season, cocoa was selling for as much as N24,000 a tonne, although by January 1989 London terminal prices had sunk to under £800.

Dr Christopher Kolade, managing director of Cadburys Nigeria – a company that like a number of others was forced out of the export trade by unrealistic prices – estimates that 80 per cent of the cocoa export business last year was dominated by traders speculating on continuing naira devaluation.

This season's domestic producer price crash is the result of three factors: the continuing fall in world market prices, now below £600; the unprecedented naira liquidity squeeze provoked by last year's recall of parastatal capital from commercial banks to the central bank; and the increase in commercial lending rates to 30 per cent.

With fewer naira now available to cocoa traders, the price has plummeted to under N6,000 a tonne, a level which could spell ruin to many farmers who, with recent record profits, invested heavily in replanting and non-productive assets such as vehicles and buildings. They, and up country buying agents who rely on commissions from volumes traded, are now, in the words of one market analyst, "a highly endangered species".

On the other hand, local processors of cocoa beans – there are three cocoa processing factories in Nigeria – have seen an abrupt reversal of fortune. Unable to afford high farmgate prices in the previous two seasons, they have been running at only 15-20 per cent capacity.

But with growing emphasis on the development of local industry and value added, a lobby of the hard hit industry was able to convince the Government of the need for an export ban on beans from 1991. Combined with the sharp drop in producer prices, the ban will, in theory, produce cocoa butter for both the domestic and export markets.

Analysts and exporters, however, remain unconvinced that the ban, announced January 1, is practicable or economically viable. With a combined processing capacity of under 90,000 tonnes, the factories are capable of processing only *about half of current* annual production of 160,000 tonnes.

While the Government is relying on investors to fund the construction of extra plant capacity, few analysts feel that, given the prevailing economic climate, the money will be forthcoming. Nessim Gaon, chairman of Afro Continental Nigeria, one of the country's largest cocoa traders, estimates investment costs at $80m-100m, and says that even if the money were found, increased capacity could not be in place by 1991.

Mr Gaon predicts that next year traders will buy only the quantity of beans they believe they can sell for local processing. The remainder, he says, an amount in excess of 70,000 tonnes, will stay in the hands of highly dissatisfied cocoa farmers, and represent a loss of some £48m in foreign exchange earnings. He foresees large volume cocoa bean smuggling, and also maintains that the Nigerian cocoa butter that is produced will not be of a quality consistent with terminal market needs.

Ultimately, like Dr Kolade, Mr Gaon believes the ban will be seen as unworkable and rescinded. Mr Gaon argues that some compromise solution is possible, with traders selling a guaranteed quantity of beans to local processors at fixed prices, the remainder being exported as before. To establish a less volatile market, Dr Kolade sees the need for the introduction of price stabilisation polices, with government stepping in as a buyer of last resort if necessary.

Like all their colleagues, they agree that the only long-term solution is a higher world market price for cocoa. Given current global over-production, this is unlikely to come about, and the Nigerian cocoa export industry, after three halcyon years, seems headed for tougher times.

Nicholas Woodsworth

Opening doors to Pan African Banking.

For a long time now many people have had to rely on circuitous routes to conduct their business on the African Continent. It is still not unusual for two neighbouring countries to route transactions through former metropolitan states in Europe, with resultant delays and inconvenience to the customers.

However, strenuous efforts are being made to change this. And we at Meridien International Bank Limited are in the forefront of this crusade. Through the development of a network of subsidiary and affiliated commercial banks cutting across geographical and linguistic barriers, or through well-established and respectable correspondent banks, we are able to link Africa to the banking world, and vice versa.

Our credentials go further. As a subsidiary of a group of companies tracing their origin to Africa more than 30 years ago and engaged in activities ranging from agriculture, aviation, construction, mining and metal trading to consumer and industrial trade and transportation, our experience on the African continent is vast.

It requires a deep knowledge of Africa to act as a bridge between the various regions. We have made a start, and intend building on it.

MERIDIEN
INTERNATIONAL BANK LIMITED.

Debt Conversion?

With CMB it needn't look this difficult

Reading the Debt Conversion guidelines is one thing; structuring a successful transaction is another.

At CMB, we have the experience and expertise to structure transactions with optimal capital structure and cost-effective utilization of the domestic financial markets; while ensuring compliance with local legal and regulatory requirements.

To find your way through the maze, call the following direct lines:

LAGOS	KANO	KADUNA	P/HARCOURT	JOS	ONITSHA
(01) 684390	(064) 621226	(062) 215601	(084) 331604	(073) 56479	(046) 214712
	621481	243207	332474		213516
					214714

Continental Merchant Bank Nigeria Limited

The Innovative and Efficient Merchant Bank

One Kingsway Road, Ikoyi, P. M. B. 12035, Lagos, Nigeria. Tel: 603020 – 39
Telex: 21589 CONTBK NG Telefax: 1-684311

FOOD CROPS

Farmers need more technical skills

NIGERIA'S rural population is enjoying the benefits of competitive, free-market policies in staple food production. Hard statistics on the country's small-scale peasant farmers are few and far between, but indications of increased productivity and slowly improving living standards are everywhere.

The strongest signs lie not in *the offices of the Ministry of* Agriculture in the new federal capital of Abuja, but in the physical changes taking place in Nigeria's countless villages.

Rising prices for staples have put increasing pressures on hard-hit urban populations

The abolition of state-run marketing boards, a more-realistically valued naira, and the *import ban on* wheat, maize and barley have all provided financial incentives to rural trading activities unknown for more than a decade.

Village market-places in many cases have more than doubled in size. Grains, root crops and fresh produce are now brought in by large lorries instead of pick-up vans. Livestock, *rather than being traded* locally, is now transported to regional markets. Turnover in simple consumer goods – clothing, domestic utensils and bicycles – has increased significantly. Sales of farming implements such as hoes, ox-drawn ploughs and cultivators now provide retail hardware outlets with steady business.

Taken together, these commercial activities point to a re-*establishment* of trading links between rural areas and urban centres previously supplied with imported food; money that once flowed out of the country for cheap food imports is now being transferred to the *countryside, giving rural popu*lations greater purchasing power and increased standards of living.

Rising producer prices for staples have been accompanied by increases in production and the amount of land under cultivation. Significant increases in the production of yam, cassava, maize, soya bean, rice, *cow pea, millet and sorghum* have all been recorded. From 1987 to 1989 the US Department of Agriculture in Lagos estimates land under wheat cultivation to have risen from 5,000 to 50,000 hectares.

But while rising prices for staples have been a boon for farmers, they have put increasing pressures on urban populations already hard hit by stiff cost-of-living increases in power, transportation, rents, education and medical services.

While optimal climatic conditions allowed an excellent *harvest in 1988, last year's har*vest was affected by two factors: late and irregular rains and a 50 per cent drop in fertiliser distribution resulting from insufficient imports. Together these led to a 10 per cent decrease in overall staples production.

A more serious factor affecting urban consumers in 1989, however, was the previous year's reflationary budget; *combined with the effects of* naira devaluation, excess liquidity drove up prices and led to 100 per cent increases in food prices in the first six months of the year.

With the price of bread ris*ing from N4 to N10 to a loaf,* and a sack of rice selling for the equivalent of a worker's monthly salary, food price increases were a chief cause of serious riots last May.

'We have too many graduates and not enough committed extension workers at village level'

Subsequent government measures to reduce liquidity have cut inflation rates to 36 per cent, but there is growing concern about decreases in demand for higher-priced food items. Many mothers, for example, are now substituting corn starch for milk in babies' diets. Significant decreases in urban nutritional standards, say many analysts, are a strong argument for the lifting *of food import bans, but would* lower internal production and depress rural incomes.

Observers also point to a number of serious constraints limiting further increases in domestic staple crop production.

One lies in the fact that tra*ditional production methods* used by 95 per cent of Nigeria's farmers are no longer adequate to meet a fast-growing population's food needs. In the past a system of shifting cultivation allowed the regeneration of the country's generally infertile soils. Today pressure on the land no longer allows this, and Nigeria's fields are being rap*idly depleted* of their nutrient content.

Other serious environmental problems affecting productive capacity include continuing desertification in the north and *serious soil erosion nation*wide. In addition, government policies on fertiliser marketing and strategic grain reserves threaten the growth of stable markets.

Government plans to remove subsidies on fertiliser may put this essential item beyond the reach of farmers and decrease their productivity; policies on *the* construction of large, state-owned silos ignore the potentially more effective private-sector management of grain reserves at the village level.

But, *according to agricul*tural consultant Tim Harvard, the most serious constraint to increased staple crop production lies in insufficient education in farming technology and management. "Nigerian agriculture desperately needs a leap forward in technical skills; only training can bring this advance about," he says. *This includes* the development and dissemination of techniques in irrigation, improved land use, agro-chemical application, grain storage, new cropping systems, and the employ*ment of hybrid seeds.* "We have too many university graduates and not enough committed extension workers at the village level," says Mr Harvard. While he admits that government agricultural agencies have had some effect in improving agricultural infrastructure, he believes that a successful future depends on the dissemination of improved farming techniques through the private sector.

"Large and medium-scale commercial farms are using methods that government *institutions* have failed to provide and peasant farmers find too unfamiliar take a risk on. The answer lies in the outgrower system; peasant farmers producing crops for commercial farms can not only draw down on their capital and inputs, but their methods as well. By transferring more efficient technology to traditional farmers, commercial agricultural operations could be the making of a more productive agricultural sector in Nigeria."

Nicholas Woodsworth

Ashley Ashwood

Cassava (above) and rice (right): rising producer prices for staple foods have been accompanied by significant increases in production

COTECNA INTERNATIONAL LIMITED

SUCCESSFULLY SERVING THE NIGERIAN NATION SINCE 1984

PROTECTION OF FOREIGN EXCHANGE RESOURCES
by effective operation of the Comprehensive Import Supervision Scheme (C.I.S.S.)

ENHANCEMENT OF FEDERAL GOVERNMENT REVENUES
by effective participation in the process of assessment, collection and payment of import duties.

★ ★ ★ ★ ★ ★ ★ ★ ★ ★

We are honoured to serve the Government of the Federal Republic of Nigeria and look forward with confidence to continuing and developing our contribution to the Nigerian nation's successful economic development throughout the 1990's.

★ ★ ★ ★ ★ ★ ★ ★ ★ ★

For further information contact:
Cotecna Inspection SA (Head Office)
58 rue de la Terrassière
P.O. Box 244
CH - 1211 GENEVA 6, Switzerland
Tel: (022) 735 83 68
Fax: (022) 786 39 20

Cotecna International Limited
UK Operating Unit
Hounslow House, 730 London Road
Hounslow, Middx. TW3 1PD, UK
Tel: (01) 577 6000
Fax: (01) 577 7191

Nicholas Woodsworth on a threatened environmental crisis

Water, air and land pollution

NIGERIA is in environmental *trouble.*

Confronted with this observation, the casual onlooker might feel entitled to wonder what makes it noteworthy. The entire world, after all, is in environmental trouble. What makes Nigeria special?

The answer is that while Nigeria's fast-expanding population, now at about 110m, is *just managing to feed itself,* the country is moving towards long-term environmental crisis and the risk of consequent food shortages.

Almost all the countries of the Third World are concerned, *or should be concerned, about* the relationship between population increase and sustainable resource management; so great is the combined pressure of these two problems in Nigeria, however, that there is now speculation by specialists that *in the long run they could* threaten social stability.

No visitor need go further than Lagos to see environmental damage – the water, air and land are being heavily polluted with industrial and human waste.

A greater danger, however, lies in Nigeria's rural areas, where food is produced, and *where more than 60 per cent of* the country's population relies on agriculture for its economic livelihood.

In the past, because Nigeria's population was relatively small – it has tripled *since 1963 – the peasant farm*ers, who make up 95 per cent of its agriculturalists, could afford to practise a centuries-old system of shifting cultivation. They would slash and burn small plots, farm them for two or three years without *exhausting the soil, and* then move on to new plots.

The system allowed for the regeneration of Nigeria's generally poor and infertile tropical soils – fields left fallow had time to regenerate natural ground cover, which then restored nutrients to the soil.

With the rapid growth of Nigeria's population – now *estimated at an annual growth* rate of 3.4 per cent – the system has become unworkable. More urban dwellers demanding food, means that existing plots can no longer lie fallow; consequently, fields are farmed year in and year out, exhausting the soil and reducing its productivity.

More farmers searching for land has led to even marginal agricultural land being overworked; farmers are now moving into, and destroying, forest reserves *and ecologically frag*ile arid zones hard hit by two decades of drought.

More consumers buying fuel wood for cooking has resulted in an uncontrolled exploitation of Nigeria's trees. The country once had the largest rain forests in West Africa; only 5 per cent of that original forest cover is left today. Serious ero*sion is a result.*

More cattle and cattle-herders are rapidly destroying what natural ground cover remains; as desertification in the north increases, Fulani herds are pushing further and *further south, over-grazing* the land and consuming crop residues that hold the topsoil in place. Soil leaching and the destruction of farmland are the consequences.

The activities of all these rapidly growing groups of Nigerians have already led to the serious degradation of many the country's rural *areas. Nor do desertification,* deforestation, river damming, indiscriminate industrial waste disposal, or the destruction of natural floral and faunal habitats have simple or limited effects.

Forest clearing for farming in the Oban Hills of Cross River state, to cite just one example, has had numerous knock-on consequences. Denuded of trees, this watershed area has been badly eroded by rain. The soil has been swept into valleys and has silted up rivers. Some has been carried further downstream and has damaged mangrove areas in the Niger delta. In the past these have been some of the most important breeding grounds for fish in all West Africa.

Combined with the primary effects of population pressure and poor conservation practices, widespread environmental disaster and chronic food shortages are likely consequences.

Faced with these dangers and the possible social repercussions, the Nigerian government and international aid agencies are taking initiatives to halt the damage, promote environmental awareness and develop improved conservation techniques.

Environmental protection efforts have been made in the past, but with little effect; although highly expensive, they were poorly integrated into rural development planning, involved little community participation, and lacked in follow-up. Only with the knowledge of increasing damage and such highly publicised events as the dumping of toxic waste material from Europe in Nigeria in 1988, has the Government begun taking environmental matters more seriously.

Following the drafting of a National Conservation Strategy, the Government last year established a Federal Environmental Protection Agency to act as a regulatory body responsible for monitoring and prosecution in environmental matters. President Babangida has taken a leading role in conservation attempts by heading the newly-formed National Resources Conservation Council; acting as an advisory body to government, it will try to ensure that future agricultural and industrial projects will take ecological imperatives into account.

Nigeria once had the largest rain forests in West Africa; only 5 per cent of that original forest is left today

Aid agencies such as the World Bank admit that in the past they, too, have failed to take adequate account of environmental issues in development planning. These issues, they say, will now form an integral part of sectoral planning; next month a World Bank team will be arriving in Lagos to confer with the Government on a medium-term action programme on the environment.

Other environmentally involved agencies include the European Commission, the UK's Overseas Development Administration, the Worldwide Fund for Nature, and the Nigerian Conservation Foundation (NCF). Their projects range from the protection of rain forests and birdlife, to anti-desertification projects, to the funding of Nigerian student teachers at conservation courses overseas.

It is too early to say what effect new environment measures might have. So great is the problem that to be effective an integrated approach involving all sectors of the population and economy will have to be taken. These must include the adoption of a wide range of appropriate agricultural technologies, improved extension services, environmental education in schools, and policy commitment at all levels of government. Above all, the Nigerian population must see an interest in protecting their surroundings. For communities to be involved in reversing environmental trends, they must see the long-term economic benefits.

Phillip Hall, NCF technical director, says: "Nigeria's only hope, and it must be realized in this decade, is to take the pressure off environmentally fragile areas. This can only be done by providing economic incentives to local populations through sustainable rural development programmes."

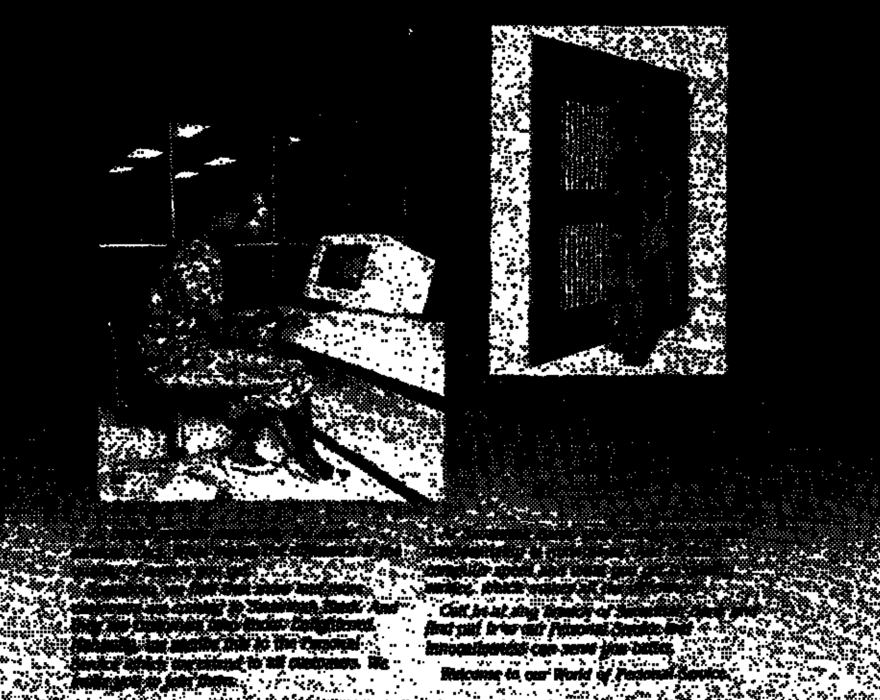
Although the Government has moved some way through structural adjustment to accelerate the rate of rural and agricultural development, Nigeria's environmental future remains a challenging one.

BE PART OF A NEW IDEA... COME TO THE VILLAGE

Century

CENTURY MERCHANT BANK LIMITED
We have the edge.
11, BURMA ROAD, APAPA, LAGOS.

Now, more than ever, enlightened depositors are coming to Savannah Bank. Join them.



Savannah Bank of Nigeria Limited

S.O.&U.

KIDANDAN FARM

Exceptional working model

THE inhabitants of Zaria do not, like the natives of Iowa or Nebraska, favour overalls and Massey-Ferguson baseball caps, but they might as well. Here, in the capital of Nigeria's maize belt, as in the American Midwest, the tasselled yellow cob is king, and life revolves around its planting, care, and harvest.

The city's businesses, schools and institutes provide ample evidence of the area's leading activity. On the roads leading to the flat, intensively-farmed plains outside the town there are agricultural supply warehouses, businesses selling farming implements, seed supply firms, seed oil mills, tractor repair garages, agro-research institutes, and the farm and classrooms of the local agricultural college.

Unlike the farmers of the American Midwest, most maize farmers in the Zaria region are small-scale agriculturalists relying on rudimentary implements and traditional techniques. The majority of plots are under two hectares and the yields are low.

Eighty kilometres outside Zaria, however, there is one farm that rivals those of the Midwest. Now entering its fourth year of production, the 17km-wide Kidandan Farm, belonging to the agro-industries division of the United Africa Company (UAC) of Nigeria, is showing that large farms can work despite often difficult conditions.

Ashley Ashwood

Zaria's "King Cob"

Large-scale commercial farms are the exception rather than the rule in Nigeria; they represent less than 2 per cent of total area cultivated. Most exist as subsidiary operations of major commercial and trading houses, and came into being as the result of government pressure.

Like many other companies, UAC was informed by the Government in 1985 that in the interests of national food self-sufficiency, large businesses should become involved in food production; the penalty for not doing so would be the cancellation of some of the then all-important import licences for industrial raw materials which could be produced locally.

Few of the companies that became half-heartedly involved in agriculture as a reluctant political gesture to government are prospering today. Nigeria's commercial farming environment requires large capital investments in land clearing and start-up costs. The imported inputs, technology, and personnel necessary for this kind of farming are expensive.

Local labour forces are unused to modern work requirements. African farming involves risks of droughts, plant disease and insect plagues. Long periods are necessary before profits can be realised.

In these conditions, management and performance on large-scale farms have to be highly competitive to survive. But, along with a handful of other operations run by companies such as Afcott and Guinness, UAC is facing an economically viable future. Kidandan capital investment totals N29m. Last year the farm showed profits of N5m, 80 per cent of which went towards paying UAC (Nigeria) head office overheads. It is estimated that with expanding production the original investment will be paid off by 1994.

The company's success, according to agro-industry division head John Whitechurch, lies in three basic approaches: a medium-technology investment that avoids over-capitalisation, "backward integration" that encourages other divisions of the company to buy and process the farm's produce; and the targeting of production on crops with high value-added potential.

This year 3,000 of Kidandan farm's 5,000 hectares will be cultivated, of which 1,800 hectares will go to commercial maize cultivation, 600 hectares will be planted in rainfed rice, 450 hectares will be devoted to hybrid and composite maize seed production, while cotton and soybean will be grown on the remainder. There is also a beef fattening operation.

In comparison to other, over-capitalised, commercial farms, Kidandan uses simple, relatively inexpensive machinery which can be easily repaired.

Twenty-three of its 27 tractors, for example, are low-powered 75 horsepower machines for which parts are readily available in Nigeria. Its crop cleaning and silo storage complex are also low-tech and relatively inexpensive. There has been no attempt at complex and costly irrigation systems.

Most of the farm's produce is linked to other divisions of UAC. Ninety per cent of its maize is bought by Nigeria Breweries Ltd (NBL), a sister company of UAC within Unilever's Nigerian associate. Along with other breweries subject to a national import ban on barley, NBL in substituting maize in beer production has given a big boost to agro-processing.

There are other examples of this same process. Kidandan's cotton lint is sold to UAC's textiles division. Part of its cotton seed production is used for fattening the Kidandan beef unit's cattle. The cattle themselves are sold to UAC's foods division.

Value added processes, however, are seen as being the most profitable and fastest-expanding operations in the future. The farm's rice, for example, is worth N2,000 on the stalk. Polished and parboiled by a company in Sokoto, however, it comes back worth N8,000 a tonne. This year UAC will market its rice in 50kg bags – in the future it hopes to retail rice in 1kg bags for higher unit-volume profits.

It is in the area of maize seed production that UAC sees its greatest agricultural potential. At present only one other Nigerian company undertakes the "bulking up" of improved maize seed varieties for subsequent commercial distribution. The profits are large. Composite seed can bring three times as much maize produced for consumption; hybrid seed production, while more costly and complicated, can bring from 10 to 20 times as much.

Kidandan farm, like other large-scale operations, is not without its problems. Farm manager Graham Smith cites theft as the worst; 30 per cent of the maize crop was stolen last year, biting deeply into profits. Farm workers' resistance to unfamiliar production methods and schedules has also had an effect on productivity, as has the damage caused by the cattle of Fulani herdsmen. Overall, however, the performance of the UAC operation proves that large-scale commercial farms can be more than simple political gestures; given the correct management, they can also be productive and profitable.

Nicholas Woodsworth

NORTH EAST ARID ZONE DEVELOPMENT PROJECT

At war with advancing desert

IN THE far north-east of Nigeria, in a desolate area of parched, treeless plains and shifting red sand dunes, the headman of the small village of Karasuwa keeps a strange collection of bones. Treated with veneration, the disassembled skeleton of a hippopotamus is displayed to rare visitors as the sad proof of a recent but never-to-return past.

Not more than 40 years ago, these lumbering animals used to be found just outside the village. Today, not only the hippopotamuses have disappeared, the river in which they lived is no more than a dusty gulch running through arid and ever less productive fields.

Like most villagers of Borno state, the inhabitants of Karasuwa are victims of drought and desert encroachment; they receive less than half the scanty rainfall they did in the 1960s. But their particular tragedy, the disappearance of their river, is not of natural, but human making: the Yobe River stopped flowing when dykes were built to facilitate road and railway construction many miles upstream.

It may be just one small example, but in an ecologically fragile area like north Borno, poor resource management and development planning of this type can spell disaster for hundreds of villages.

Ultimately Karasuwa's inhabitants may be luckier than most in Nigeria's sahelian north; the village is included in a new development project being initiated this year, the North East Arid Zone Development Programme (NEAZDP). Funded by grants and highly concessional loans under Lomé Convention accords between developing countries and the European Community, the ECU40m (£29m) project is approaching rural development with appropriate environmental forethought that is unique in Nigeria.

The programme's aim is to initiate small-scale, low-tech 'micro projects' for which the villagers will take responsibility

Development efforts in the project area's 10,000 sq km of north-western Borno are not new, but earlier projects brought little benefit to its 600,000 impoverished inhabitants. Expensive, large-scale projects that involved little community participation, they collapsed as soon as project funds and personnel were withdrawn.

NEAZDP is based on a different philosophy fast gaining credibility throughout the continent. Intended to increase agricultural production and rural incomes while at the same time protecting the environment, the programme's aim is to initiate small-scale, low-tech "micro-projects" for which villagers themselves will take responsibility.

"Under previous development schemes," says NEAZDP director Bill Knight, "local villagers have been getting no benefit from their own natural resources – profits from forestry and other state-run programmes have gone into Government coffers. But if local people are made the direct economic beneficiaries of development projects, the incentives will be there to ensure efficient and sustained resource management." While NEAZDP will undertake its wide range of projects in co-ordination with Borno state ministries and the officials of the area's seven local government areas, the objective is to avoid hasty decision-making by bureaucrats in distant centres of administration.

"We are trying to get right down below local government to village leaders and individuals," says Mr Knight. "We will facilitate projects that the people themselves express a need for. But there must be a commitment on their part in project execution, follow-up and, in some cases, financial investment. If there is no commitment, there is no deal. Ultimately, we are aiming at what other rural development projects in Nigeria have failed to achieve in the past – the establishment of self-sustaining systems."

Project designers realise, however, that no amount of local commitment is by itself enough. So complex is the local ecology, and so environmentally degraded has the region become, that environmental rehabilitation is a major project component.

Most of the project area is composed of savannah that, with the advance of the desert from the north, is rapidly becoming a sahelian wasteland of low rainfall and unproductive sandy soil. Within the area there is, in addition, a zone of 3,600 sq km unique in Nigeria – an inland delta on the Hadejia river, made up of swamps and braided channels known as the Wetlands.

While the natural process of desertification has affected both dry and wet lands, it has been accelerated by the over-exploitation of what have become known as "the three Fs" – food, fodder and firewood resources.

Because the area's water has attracted a large and fast-expanding human population, pressure on these three resources has badly damaged the environment. Intensive farming on riverine land has exhausted the soil, over-grazing by Fulani cattle and goats has caused serious erosion, and tree-cutting for fuel wood has denuded the countryside.

NEAZDP, therefore, concentrates on promoting the management of these three resources, each vital to the area's economy, on a sustainable basis.

Agricultural projects will concentrate on improved water management, including small-scale irrigation, low-cost dyke and bund drainage control, and residual moisture-cropping techniques.

Improved livestock management will involve the establishment of "grazing reserves", the introduction of new fodder crops, and the creation of "fodder banks" for village herds.

Reforestation projects will be carried out at the village level, with the establishment of village woodlots, gum arabic plantations, and erosion-resisting shelter belts.

The critical component of all these programmes is water; and here lies the greatest threat to the success of the NEAZDP project. The area depends for its water on the annual flood of the Hadejia river, which, in season, covers 45,000 hectares of alluvial soil. There is already one irrigation dam upstream in Kano state, which has reduced flow levels by half and affected the river's vital flood. Approval for the construction of a second dam in the Hadejia valley in Kano has just be granted.

While these dams may be of great benefit to Kano farmers of irrigated wheat, they could ruin northwestern Borno's chances of economic and environmental revival. If an agreement on the rational sharing of a scarce resource can be made between the two states, villages such as Karasuwa may one day be happier places. If not, there may be many more villages like it in the not-too-distant future.

Nicholas Woodsworth

RIVER BASIN AUTHORITIES

Troubled waters

NORTHERN Nigeria in the dry and dusty harmattan season is one of the bleakest places on earth. A short drive in almost any direction from Kano reveals little more than parched, sandy fields, leafless trees, and dried up water-courses. But it is not all like this.

A 40-minute drive south of Kano will take the traveller into gentler country. This is the vast Hadejia-Jamaare River Basin Development Project, which gives some idea of what irrigation in Africa can do. Here there are miles of channels burbling with water, acres of carefully-tended plots of young green wheat, and road-side stalls piled high with onions, potatoes and tomatoes.

This lushness and productivity, however, does not tell the whole story of Nigeria's River Basin Authorities (RBAs), of which the Hadejia-Jamaare is just one. The project has undoubtedly brought relative prosperity to some of Kano state's farmers. But, like other RBA projects throughout the country, it has had a history of poor and over-ambitious planning, gross financial and infrastructural mismanagement and waste, and administrative neglect.

"Compared to other RBA projects in Nigeria," says one expatriate hydrological consultant in Kano, "Hadejia-Jamaare can be counted as a success. Anywhere else, it would be seen as a disaster."

Whatever its relative standing, the Hadejia-Jamaare RBA will go the way of all other RBAs in the country: after more than a decade of poor performance, the Nigerian government is in the process of winding down RBA operations.

Incorporated in the Shagari administration's "Green Revolution" programme in the late 1970s, the River Basin Authorities exploited a sound agricultural concept – that agricultural planning should be based not on artificially created administrative areas but on distinct geographical zones determined by watersheds.

Rather than allocating resources to individual states, the idea was to develop federally-funded, multi-state regional projects along the country's numerous river basins.

With water the key to development, the RBAs recognised their main assets as irrigative and alluvial flood land. The federal government would take control of this land, temporarily move its inhabitants, and undertake large-scale dam and downstream canal, water pumping and flood control projects. The developed and potentially more productive land would then be reallocated to its original inhabitants.

To promote maximum productivity, the RBAs decided in addition to become involved in agricultural support services. They would provide seeds, fertilizers, implements, crop storage facilities, extension services and training.

But this was not all: they would also diversify into activities outside staple crop production. Ambitious plans were laid for the establishment of cattle ranches, forestry reserves, fish farms, poultry production units, and citrus plantations complete with cold-storage facilities. This, it was thought, would allow integrated development for the achievement of food self-sufficiency.

Not long after the establishment of 14 RBAs, agricultural theory came up against political and economic realities and the hard facts of technological under-development.

One of the most important factors leading to the undoing of the RBA's ambitious plans was Nigeria's oil-based prosperity. During the oil-boom years of the late 70s and early 1980s, an over-valued currency made it easier and more convenient to import cheap food than to execute challenging development plans. While programmes were begun at great expense – and often involved major kickbacks in procurement contracts – they rapidly lost impetus. And with the end of the boom and the onset of economic crisis, federal funds for RBA development dried up.

An additional problem lay in the political sphere. In cutting across state boundaries, the RBAs also cut across religious and ethnic groupings; this created local hostility and competition for federal resources inside individual RBAs. More importantly, in expropriating the richest agricultural land of each state, the federal government earned the resentment of state administrators.

The greatest problem, however, lay in RBA administrations over-staffed with bureaucrats but sorely lacking in technical extension workers.

"The RBAs were replete with well-manicured graduates who didn't want to leave their offices and get out on the land where they should have been," says agricultural consultant Tim Harvard. "They were file-farmers, not soil-farmers. As a result projects were neglected, vital inputs and services were not provided, machinery was poorly maintained or broke down altogether, and the small farmer, the intended beneficiary of the RBAs, was neglected."

The most cursory glance at the Hadejia-Jamaare RBA project backs these contentions. Serious structural faults in the project's main component, the Tiga Dam, mean water releases cannot be properly controlled. Of 22,000 hectares originally slated for irrigation, only 14,000 have been developed.

Almost all project farm machinery has broken down. Bags of wheat seed issued at planting time last year contained five different varieties, while farmers are still waiting for fertilizer. Plans for a ranch, citrus cold storage, a fish farm and a tomato processing plant have been abandoned. One conservative estimate puts project costs at $20,000 a hectare, making returns on investment wholly unviable.

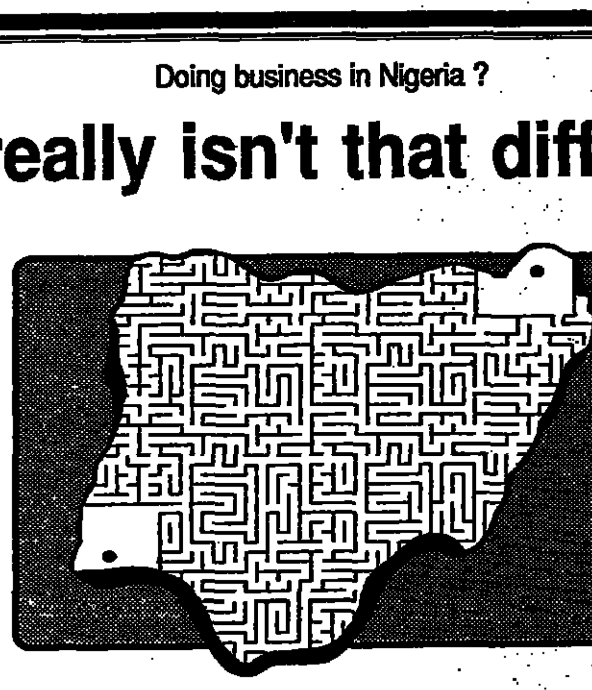
A decision to terminate all RBA activities except those relating strictly to water management was made by the federal ministry of agriculture in 1988. Extension and input supply services will become state government responsibilities, and a process of selling off fixed and movable RBA assets to private concerns is nearing completion. Under a newly-created Ministry of Water Resources, remaining RBA functions will be contracted out to private management.

Specialists continue to express concern over serious shortcomings in the knowledge and application of agricultural technology. But they believe that, however disastrous, the RBAs have provided one valuable lesson to Nigeria. Small farmers using portable irrigation pumps use water profitably; large-scale, state-run agricultural projects do not.

Nicholas Woodsworth

Doing business in Nigeria ?

It really isn't that difficult.



We'll guide you through the changing economic environment.

Doing business in Nigeria can seem like a maze, even to the seasoned businessman.

Let Chartered Bank guide you.

At Chartered Bank, our people combine a comprehensive knowledge of Nigeria and international business with professionalism and imagination, to give you fresh ideas and practical solutions to your Corporate Banking needs in Nigeria.

CB CHARTERED BANK LIMITED ...fresh ideas, practical solutions

HEAD OFFICE - Plot 1619 DANMOLE STREET, VICTORIA ISLAND, LAGOS. TEL: (2341) 616757, FAX: (2341) 616096, 615098. TELEX: 21156

LENOIL

PETROLEUM & PETROCHEMICALS

ULTIMATE IN EXCELLENCE

Lenoil is an indigenous Nigerian oil company revolutionizing the engineering world with hi-tech, high performance lubricants that originate from worldwide state-of-the-art research and development.

Lenoil Petroleum And Petrochemicals is a leader in innovative specialised chemistry utilized in advanced lubricant production.

Protect Your Engineering Investments with superior performing synthetic, para-synthetic, premium oils and greases for high performance engines using Lenoil G-Series: GLX; GTX; GT, XO; XL; and GL; Lenoil greases: ST 500; BT 61; and BA 4200.

These Series of Specially Formulated Lubricants are designed for; the Food Processing; Marine; Automobile; Agro; Textile; Petroleum and Heavy Industries.

Other Services:-

Major traders in petrochemicals and refined petroleum products: (AGO, LPFO, HPFO, LPG, and DPK).

Lenoil Petroleum and Petrochemicals

NIGERIA
14, Calcutta Crescent Apapa Lagos
Phone: 01-873766, 01-525019, 01-803560-4
01-874251, 01-525011,
Fax: 873656

U.S. Affiliate
Universal Chemical Technology
238 Wilson Avenue Newark, New Jersey
07003. USA Fax: 1-201-4655083

Religion has caused two flare-ups in the 1980s

Flash-points of discontent

THE connection between a badly washed glass and religious conflict might seem tenuous but it was the cause of an incident between Moslem and Christian students at Zaria University. The Moslem students complained that glasses being used for water in the canteen had previously been used for beer in the college bar. With tempers raised, a minor scuffle took place, a not atypical result of increasing religious sensitivity across Nigeria.

Religion has always played a role in national life, a fact recognised during British colonial rule in the north-south division of its administrative structure and the legacy of the three-state federation at independence. The 1963 census (the last reliable figures) described 47 per cent of the population as Moslem, 35 per cent Christian with the remainder animist. Both Moslems and Christians claim and increase in representation but accurate assessment is difficult because up-to-date figures are not available. Any attempt at simplification, even on a state-by-state basis, is impossible. Kaduna, for example, is home to some of the most important northern Moslems. Yet this supposedly prominent northern centre is predominantly Christian, evidenced by Christians outnumbering Moslems in the council elected in the 1988 local government elections.

Within the last decade, religion has been the cause of two violent outbursts. At the beginning of 1981, Kano was the scene of large-scale Islamic disturbances resulting in the death of the fundamentalist preacher Maitatsine. His followers consisted mainly of those living on the poverty-line who, incensed by the disparity between rich and poor, protested against what they perceived as the abuse of Islamic principle by the wealthy.

The second outburst occurred in 1987 in the city of Kaduna. According to some reports, Moslem crowds attacked 100 churches following rumours that a priest had given a lecture in which he criticised the teachings of the holy Koran.

Although such violence added a new dimension to the issue of religion in Nigeria, there has for many years been and active debate on the secular status of the nation. Leaders of both religious persuasions trace the recent rise in tension to a 1978 debate on sharia law in the Constituent Assembly. A seemingly innocent proposal to create a Federal Statute Court of Appeal sparked a heated exchange. Moslem members of the Assembly argued that a statute court was fundamentally Christian in origin and demanded a Federal Sharia Court of appeal for civil cases. Christians protested that a sharia court at the federal level would undermine the secular status of Nigeria. Looking back at the debate Dr Bashir Ikara, director of the Centre for Research and Historical Documentation in Kaduna and a member of the '79 Assembly, considers that "politics and religion became inextricably entwined over the issue of Sharia Law".

Religion has always played a role in national life

The two elements make a volatile mixture, as President Ibrahim Babangida discovered in 1985 when news leaked out that his Government was considering full membership of the Organisation of Islamic Conference (OIC), a body which promotes Islamic solidarity and economic co-operation among member states. Critics argued that the Government's intention was a political one. They saw it as an attempt to appease those northern Moslems unhappy with the overthrow by Major General Ibrahim Babangida, in a bloodless coup in 1985, of the regime of former head of state Major General Buhari which had been seen as representing their interests. While the Government restated its commitment to Nigeria's secular status, Christian leaders expressed their concern that it was showing religious bias to satisfy a political constituency.

The mixing of politics with religion has allowed religious leaders a political platform. After the cabinet reshuffle in January, Anglican Bishop A. Gbonigi called for Christians to protest over the re-assignment of General Domkat Bali, a Christian and chairman of the Joint Chiefs of Staff, to the Ministry of Internal Affairs. The call went unheeded in the south but demonstrations, supported by the Christian Association of Nigeria, took place in the towns of Kaduna, Jos, Yola and Bauchi. They passed without serious incident, avoiding the havoc of riots such as those suffered by Kaduna in 1987.

There is the constant threat that even a peaceful religious demonstration could trigger a violent backlash. The danger stems partly from a mutual misconception of each other's intentions. The poor turnout at the January demonstrations is evidence of a lack of radicalism among the Christian masses. But the impression often given by the media is of the more extreme figures speaking for the majority.

Similarly, Christians point to the utterances of the respected but controversial Islamic scholar, Sheik Abubakar Gumi, as indicative of broad-based fundamentalism. Before the 1983 election he called for every Moslem "to register so we can predominate over non-Moslems". Sheik Gumi continues to be seen as one of the leading influences in the Moslem community but several observers and community leaders in Kaduna and Kano question whether his authority is as far-reaching as some press reports suggest.

The armed forces comprise a careful balance of loyalties

As the transition to civilian rule gets under way, the opinion of some former politicians is that President Babangida will have to act firmly to prevent the new breed politicians fighting on a religious ticket. Sceptical observers argue that the battle may have already been lost. A member of the 1979-83 House of Representatives, Dr Junaid Muhammed, is pessimistic about any candidate's desire or ability to stay removed from religion. "From now on," he says, "a politician's religion is going to be more important than the policies or programmes he stands for."

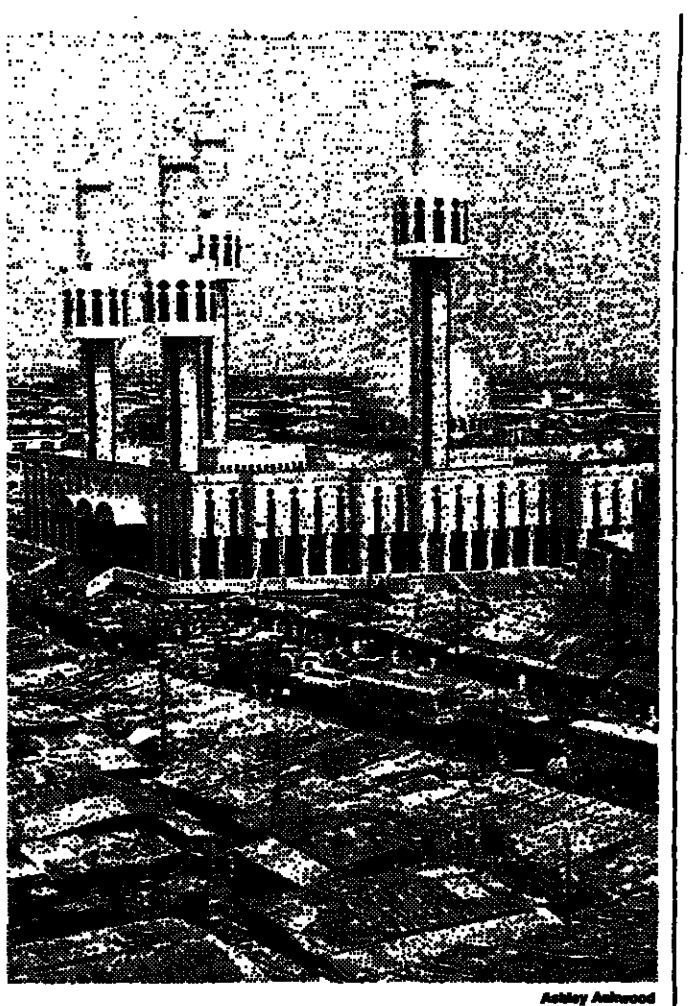
There remain, however, other factors which could keep religious tensions in check. Many issues – such as the allocation of federal spending in the 21 states – are seen in terms of regional and ethnic loyalties which cut across religious affiliation. Both sides acknowledge that religious conflict in the country would be profoundly damaging. "It would be bad for business," commented one northern trader, reflecting the fact that, whether Christian or Moslem, most Nigerians are highly business-orientated.

Perhaps the most important factor is that the country's armed forces comprise a careful balance of regional and religious loyalties in an effort to ensure its neutrality. Many observers consider this neutrality crucial. The real danger to stability, they believe, is not so much the demonstrations or rivalry or discontent but they way in which they are handled.

So far successive governments have managed to contain the delicate task of balancing religious loyalties and expectations while keeping Nigeria a secular state. But religious awareness has become more pronounced in recent years. Nigeria's Moslem population may well be drawn into the worldwide resurgence of Islam, which brings with it the dangers posed by some of the more extreme proponents of the faith. Many Christians for their part are responding to the zealous preaching of a new wave of proselytising church leaders.

As these two powerful forces compete for the hearts and minds of Nigerians, the Government's balancing act will become an increasingly demanding task.

William Keeling



Ashley Ashwood

The central mosque in Lagos overlooks a shanty town

THE SULTANATE OF SOKOTO

Rooted in the past

IN THE walled courtyard of the palace of the Sultan of Sokoto sits one of the great leviathans of the machine age. With its heavily-chromed grille, bullet bumpers and nine-inch rear fins, the Sultan's ageing Fleetwood Cadillac is as impressive as any limousine cruising Fifth Avenue today.

This massive steel monster would arouse the envy of most modern Nigerians. But when Ibrahim Dasuki, the newly proclaimed Sultan of Sokoto, was tempted from the cool of his palace one hot afternoon last month, it was not to admire the Fleetwood. Bundled against the harmattan dust in a heavy white turban, sunglasses and grey silk robes, the Sultan spent long moments individually inspecting the true objects of his affection: the carefully-groomed Fulani stallions of his palace cavalry.

That the Sultan of Sokoto should prefer horseflesh to horsepower is not surprising – the animals are a symbol of the long traditions on which the Sultanate's considerable power and authority remain based.

Nearly 200 years ago the sires of these stallions thundered across the northern plains of Nigeria on a holy jihad that created the largest and most successful Islamic empire in the history of West Africa. On their backs they carried the fierce Fulani cavalrymen of Usman dan Fodio, religious reformer, founder of the Sokoto Caliphate, and great-great-grandfather of the present Sultan.

Today the Caliphate as a political entity is gone, destroyed by the military power of the British empire and the secular rule of an independent Nigeria. By clinging tenaciously to the Islamic tradition, however, the Sultans have succeeded in extending their influence far beyond the Caliphate's old boundaries.

The emirs of the cities of the north no longer hold direct political power as they did under the protection of the Caliphate. But as traditional leaders commanding the respect of the north's Moslem populations, they have been elements in the post-independence leadership of Nigeria.

Today, not only the emirs of the north but the entire Moslem population of the country continue to look to the Sultan of Sokoto as their supreme religious and cultural leader. While the political maxim "He who controls the North controls the country" may be less true today than previously, few Nigerian leaders would care to underestimate the Sultan of Sokoto's influence.

The Sultanate's unrelenting grip on the past and traditional resistance to modernization is apparent not only in the palace courtyard; it is reflected in the wider economy of Sokoto state and in the morals and manners of its capital city. Economic development has lagged and Sokoto, one of the largest states in Nigeria, is also one of the poorest.

Manufacturing remains limited to leather tanning, furniture, cement and ceramic production. Agriculture, the predominant activity of Sokoto's 10m people, has never been easy in the poor soils and arid climate of this sahelian region; in the past 20 years, especially, continuing drought and desertification have forced many Sokotans into seasonal migrant labour. Although the state is now attempting to promote local economic development through education programmes, unemployment remains high and more than 75 per cent of the formal wage sector is in government employ.

Agriculture has never been easy in the poor soils of Sokota

Sokoto by day, if one can stand the temperatures that rise well above 40 deg C, is one of the most charming and colourful cities in Nigeria. In a city tinted with the red desert soil from which it is built, are scenes that have barely changed for the last century.

Long strings of heavily-laden camels file through the dusty middle of town. Many of the state's millions of cows, goats, sheep and horses seem to spend much of their time confusing the city's traffic. Whole schools of toothless and turbanned holy men prostrate themselves in the shade of the city's neem trees, bobbing up and down as they pray in the direction of Mecca. In the area of the palace, the Sultan's guards wander in bright green and red robes; here, the city comes to a halt every Friday afternoon as thousands of Sokotans swarm the streets to pray under the green minarets of the Shehu Mosque.

By night, Sokoto is somewhat less lively. The bevies of bar girls found elsewhere in the country are conspicuously absent in hotels. An experiment with discotheques was made some time ago; they have subsequently been banned. Inside the old city walls, alcohol is strictly forbidden. Purdah, the exclusion of women from public life, is still practised among the classes that can afford it.

If Sokoto normally leads a quiet and well-ordered life, it has also experienced an extraordinary period of upheaval and violence. In late 1988, the death of the previous Sultan led to a power struggle among three descendants of Dan Fodio, all legitimate candidates for the Sultanate. When the choice of Sokoto's council of traditional "kingmakers", the son of the previous Sultan, was apparently overturned by the state government in favour of the outsider Ibrahim Dasuki, there were five days of riots, death and damage throughout the city.

The new Sultan, Sokotans believed, had been imposed by President Babangida for his own political purpose – that of harnessing the religious influence of the north for national, rather than regional interest. This may indeed be among the president's objectives. But in the past year the Oxford-educated Dasuki, using influence built up over a long career as a senior civil servant and successful businessman, has proven himself adept at honouring both national and local obligations.

Far from weakening the Sultanate, the leader of Nigeria's Moslems is trying to add new strength to it. Whether he will succeed, remains to be seen. Nevertheless, while remaining firmly rooted in the traditions of the past, the Sultan of Sokoto is inching an old institution forward. The horse may not be as fast as the Cadillac, but in another, non-Moslem tradition, neither was the tortoise as fast as the hare.

Nicholas Woodsworth

INLAKS GROUP (NIGERIA)

PLAYING ITS PART IN NIGERIA'S AGRICULTURE, INDUSTRY AND COMMERCIAL LIFE.

A multinational organisation specialising worldwide in a broad spectrum of activities from Agriculture to Fishing; from Heavy Engineering to Processed Foods and beverages; from Merchandising and Distribution to Computer Technology; from Investment Management to Business Consultancy; the Inlaks Group of Companies continues its programme of long term investment in Nigeria.

One of the early Groups to move towards relevant industrialisation, and self-sufficiency, growth has been rapid and significant through an aggressive programme of new ventures and acquisition including —

— **FIRST ALUMINIUM COMPANY (NIGERIA)** (formerly Alcan Aluminium), the nation's oldest and foremost aluminium company, manufacturing raw materials for industry.

— **FIRST ALUMINIUM PRODUCTS** — with factories in Lagos, Kaduna and Port Harcourt, manufacturing an extensive range of finished products for the building and transport industries including windows & doors, partitioning, cladding & roofing.

— **SHONGAI PACKAGING INDUSTRIES LTD**, leading the field in plastic injection moulding, printing and other allied packaging materials.

— **VEGFRU**, the country's first and largest integrated agricultural and food processing company, with 5000 hectares under cultivation for tomatoes, fruit, maize etc for home and export markets.

From its early beginnings in merchandising and distribution the Commercial Group continues to expand and develop, encompassing an ever diversifying field of activities including —

— **INLAKS LIMITED**, one of the oldest and truly national merchandising and distribution houses in Nigeria also with extensive operations in agriculture, fishing and export.

— **INLAKS COMPUTERS**, Unisys authorised distributor, with a complete range of hardware and software services for industry and financial institutions.

— **AFRICA OILFIELD SUPPLIES & SERVICES** providing oilfield equipment for the vital petroleum industry.

— **OFFSHORE TRAWLERS**, with its fleet of modern vessels and processing facilities for home and export markets.

— **TRANSATLANTIC SHIPPING AGENCIES**, moving the nation's supplies into the country and exports out of the country.

Part of an ever diversifying Portfolio of Investment

THE INLAKS GROUP OF COMPANIES

— developing Nigeria's agricultural, industrial and commercial activities for domestic and export markets

CORPORATE OFFICE: 1st Floor, NAL Towers, 20, Marina P. O. Box 1071, Lagos. Tel: 636105, 636107, 633004, 601370, 601375